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By-Election and State of the Parties

Details of the result of a recent parliamentary by-election and the present state of the parties in the House of Commons are given below.

The Labour Party retained the seat at Chesterfield in a parliamentary by-election on 1 March. The seat became vacant when its holder, Mr Eric Varley, resigned from Parliament in January. The Labour candidate, Mr Tony Benn, who is a former Labour Cabinet minister, won by a majority of 6,264 votes.

The results were as follows:

T. Benn (Labour)	24,633
M. Payne (Liberal-Social Democratic Alliance)	18,369
N. Bourne (Conservative)	8,028

Fourteen other candidates, who between them received a total of 1,962 votes, all lost their deposits. Almost 76 per cent of the electorate voted.

At the general election in June 1983, Labour held the seat with Mr Varley polling 23,881 votes, followed by the Conservative candidate with 16,118 votes and the Alliance candidate with 9,705 votes. Some 72 per cent of the electorate voted.

State of the Parties

As a result of the by-election and the deaths in February of Mr Ioan Evans, Labour MP for Cynon Valley, and in March of Sir Hugh Fraser, Conservative MP for Stafford, and Viscount Macmillan of Ovenden (the former Mr Maurice Macmillan), Conservative MP for Surrey South West, the state of the parties in the House of Commons is now as follows:

Conservative	393
Labour	206
Liberal	17
Social Democratic	6
Scottish National	2
Plaid Cymru (Welsh Nationalist)	2
Official Unionist (Northern Ireland)	11
Democratic Unionist (Northern Ireland)	3
Ulster Popular Unionist (Northern Ireland)	1
Social Democratic and Labour (Northern Ireland)	1
Sinn Fein (Northern Ireland)	1
Vacant	3
TOTAL	646

The four remaining seats are held by the Speaker of the House of Commons and his three deputies (the Chairman of Ways and Means and the first and second Deputy Chairmen of Ways and Means), who do not vote except in their official capacity in the event of a tie. The government majority over all other parties is 143, although the Sinn Fein (Northern Ireland) MP has not taken his seat.

EXTERNAL AFFAIRS AND DEFENCE

European Community

Britain's views on the reform and future of the European Community were outlined by the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, in a speech to the Royal Institute for International Relations in Brussels on 20 February. The question of Britain's contributions to the Community budget was debated in the House of Commons on the same day.

FOREIGN SECRETARY'S SPEECH

Future of the Community

Noting that the creation of the Community had marked a decisive break with previous wars and bitter rivalries, Sir Geoffrey said that its further development was essential. Although the June 1983 Stuttgart declaration (see pp 227-9, 1983) had established a clear agenda for the relaunch of the Community, the future would be bleak if hard decisions were not taken. The Community could run out of money and urgent decisions would be blocked because of lack of resources and lack of will to make the savings needed to provide them. 'Europe could be split by quarrels far deeper than those which have plagued us in the last decade. The crisis would damage not only our economic and our social aspirations but our political and security objectives at a time when Western European unity is desperately needed in a fractious and fragmented world.'

Reform and Renewal

Sir Geoffrey said that constant change was fundamental to the strength and stability of every political institution. In the Community, however, there was a tendency to resist change even when the case for it was clear. The successful defence of the Community's laws, practices and achievements required change and renewal. 'It means being true to the spirit of what the Community's founders intended, and not rigid about the retention of particular customs and practices which may no longer be serving either the common interest or the Community ideals we share.'

Agriculture

The Common Agricultural Policy, continued Sir Geoffrey, had been a notable achievement, enabling the Community to experience an astonishing growth in productivity and self-sufficiency. There was, however, a major problem in the level of surplus production which the Community was generating, its costs and the threat it represented to international trade. Community milk production exceeded consumption at a time when there were no viable market outlets for the surplus. Moreover the Community needed to assess the advantages and disadvantages of exporting surplus agricultural products (often at about half their cost of production) against the vastly greater importance of its industrial exports. Sir Geoffrey added: 'At the very least . . . prices must come down to sustainable levels, and there must be a cut-off in the open-ended guarantee system wherever production exceeds the possibility of economic outlets.'

Noting that powerful national interests were at stake and that every reform was bound to hurt someone, Sir Geoffrey said that the stalemate in negotiations threatened to destroy the Common Agricultural Policy. An external budgetary constraint written into the Community's budgetary procedures was essential in order that hard decisions could be sustained over time and have real practical force.

The Internal Market and New Policies

The concept of a common market in goods, services and capital lay at the very heart of the Community, yet this market had still to be created and internal barriers within the Community were crippling its development. The most significant step the Community could take to restore its dynamism and generate growth and employment would be to remove trade barriers in order to exploit the largest single market in the world. 'We need to create an environment in which, for example, industrial structures, research and development efforts, and marketing initiatives will all develop across national boundaries as a matter of course because they make economic sense.' Progress was urgently needed in the liberalisation of air transport, the removal of barriers to trade in services such as insurance, the reduction of frontier formalities, the lifting of restrictions on free lorry movement and better enforcement of Community rules on state aids and public procurement policies. If divisive protective measures could be swept away, other new policies would become viable. Industrial co-operation, concerted action in research and development, common measures in the energy field, particularly for solid fuels, and policies to protect the environment were each of the greatest possible importance for the future of the Community and closer European integration. 'But until the common internal market is firmly in

place and operating effectively, there will inevitably be doubts about the economic justification for further moves into concerted action. And such doubts act as a brake on the Community's joint development.'

Community Budget

Turning to the budget Sir Geoffrey emphasised that the Community would not develop as long as the system served not to promote the goal of convergence but to frustrate it by channelling money from the poorer to the richer member states. The arguments for change were overwhelming. 'What we need is a system which will tend to promote cohesion and convergence instead of eroding it. If that is to be achieved, the system must take account of the full burden imposed by the budget on member states and relate that burden to relative prosperity. What really matters is that this thorn in the Community's side must be removed not for this year, or for the next five years, but for as long as the disequilibrium which requires to be corrected, remains. Another temporary solution would not be in the Community interest, nor could we accept it.'

Britain, continued Sir Geoffrey, had no wish to establish the principle that each member state should get back what it put into the Community. It expected to make a modest net contribution and that member states well below the Community average in prosperity should be net beneficiaries. The Community budget needed to be based on the principle of fairness and equity and Britain would not acquiesce in an unfair burden.

Financial Discipline

On the question of increasing the Community's resources, Sir Geoffrey said that it would not be in the common interest to do this before a lasting solution to the problem of budgetary imbalances and effective control of spending were achieved. Control of spending was crucial and until such constraints were in place, it would make no sense to allocate new resources to the Community. This would mean taking common decisions in an atmosphere of considerable financial strain, particularly in the agricultural field. 'It will take courage to make the national sacrifices which are needed in the common interest when farmers are already so hard pressed. Nor is it easy to maintain our common determination to launch new Community policies when we scarcely have money to run the ones we have.' 'This unavoidable dilemma was a reminder of the urgency of the task before member states.

External Affairs

Sir Geoffrey emphasised four particular priorities in developing the Community's external role, the first being enlargement. Negotiations concerning the entry of Spain and Portugal had gone on far too long. 'If we want Spain and Portugal to join us – and I believe the political arguments for welcoming these European democracies are overwhelming – we must inject new urgency into the talks and this year bring them to a successful conclusion.'

The second priority was the extension of political co-operation on foreign policy. Member states had tended to react to world events and not to influence them. Britain wanted to see members develop a fuller political role in active support of shared values which would better balance their extensive economic relations and responsibilities in the Atlantic Alliance.

Sir Geoffrey said that the Community's third priority was its relations with developing countries, and he pointed to the mutual benefits which would flow from accelerated development and lower levels of indebtedness in these countries. The greatest contribution that the Community could make to developing countries, however, was to concentrate on the fourth priority, namely the need for open trading practices. 'This is true even in the hard economic conditions of today when there will always be powerful voices at home urging restrictions and special protection. I consider the impulse towards protectionism as dangerous to the whole concept of the Community as the impulse towards excessive nationalism .... The Community is founded on trade, and its trade is not only with its own members but with the whole world. By all means let us speak and act vigorously in defence of our common interest, but let us never forget that that interest is best served by opening others' markets rather than by closing our own.'

Conclusion

Concluding, Sir Geoffrey said that there was also much that was right in the Community. In the last year member states' economies had begun to emerge gradually from recession, protectionism had been held at bay and a consensus had been reached on action to promote competitiveness. Other measures had included an agreement on a common fisheries policy (see pp 54-5, 1983), common action to prevent the collapse of the European steel industry, the recasting and renewal of the social fund, improvements in the effectiveness of the Community's joint research effort, and the signing of the Stuttgart declaration (see pp 227-9, 1983). The year 1984 would be critical in the history of the Community. 'We can make it the year in which Europe was restored to dynamism after ten years of increasing strain, the year in which Europe set about developing its external role and gave renewed thought to the needs of its own security within the Alliance .... Or we can make it the year in which the Community gradually abandons the struggle for its future. That is the stark choice for Europe.'

DEBATE ON THE EUROPEAN COMMUNITY BUDGET

Opening the debate for the Government in the House of Commons on 20 February (*Hansard*, Vol 54, No 102, cols 573–660) the Economic Secretary to the Treasury, Mr Ian Stewart, said that in 1983 Community expenditure had continued its relentless increase and that agricultural spending had risen by more than 25 per cent to over £9,000 million. Against this background Britain had succeeded in obtaining an agreement at the

European Council in Stuttgart in June 1983 providing for a net refund of some £430 million for 1983.

Mr Stewart pointed out that the Council of Ministers had decided that the refunds should be spent on energy, employment and transport measures in Britain and that they should be classified as obligatory expenditure. However, in adopting the 1984 budget the European Parliament had reclassified them as non-obligatory, thereby giving it the final say.[1] 'The Council has recorded its objection to this outcome. But it means that for the bulk of our refunds to be paid before the end of March, not only must the Council approve the regulations and the Commission propose a transfer of the refunds out of the reserve chapter, but this transfer proposal must also be approved both by the Council and the Parliament.' Britain had made it clear that it expected to receive the bulk of the refunds by the end of March and that, if this were not done, it would take whatever steps were necessary to safeguard its position.

Mr Stewart said that the solution to the problem of budget imbalances lay on the revenue side of the budget rather than the expenditure side. 'It is simply not realistic to expect that new expenditure can be implemented on a scale which would sufficiently reduce our net budget contributions.' An automatic arrangement was required that would correct inequitable burdens on any net contributor, and the solution needed to last as long as the problem. Britain's proposal for a safety net (see pp 329-31, 1983) would provide a lasting solution in a simple and fair manner and would not conflict with either the principles or the objectives of the Community. The current system worked in such a way as to encourage member states to look at every policy primarily in terms of what they could get out of it. 'But with a proper arrangement to ensure that individual members are not placed in an unacceptable position overall, coupled with effective control of agricultural and other expenditure, this problem should diminish. National Governments could more readily assess items of Community expenditure on their intrinsic merits. Our proposals are therefore in the interest not only of the United Kingdom but of the Community as a whole.'

Noting that the budget had reached the value added tax (VAT) ceiling of 1 per cent, Mr Stewart pointed out that expenditure, particularly on agriculture, had consistently risen faster than revenue. The Community's resources had grown more or less in line with the economies of member states through the link with VAT expenditure and levies and duties on imports. 'But the Community expenditure has far outstripped this. Agricultural expenditure in 1983 took nearly two-thirds of the whole budget, and there is no doubt that had it not been for the 1 per cent VAT ceiling, the 1984 guarantee provision would have been even higher.' This experience reinforced the British Government's conviction that a strict and effective financial guideline for agricultural expenditure had to be established. Control over the budget and agricultural spending would give scope for the Community to consider other worthwhile and more cost-effective projects. In 1984, for example, spending on fisheries had increased by almost 45 per cent and the Regional Fund's expenditure had risen to over £800 million. Provision for the Social Fund was over £700 million and spending on transport, industry and research and development had also risen. The development of all these programmes had, however, been hampered by excessive expenditure on agriculture.

Looking to the future Mr Stewart concluded: 'We are determined to see the present negotiations reach a successful conclusion, but as for the budget, it must be a conclusion which recognises the interests of those who pay for the Community as well as those who gain from it.'

Opposition Views

Speaking for the official Opposition, Mr Robin Cook warned that, if more revenue were available, more expenditure would take place on the Common Agricultural Policy. Agricultural expenditure continued to dominate the budget and in 1982 Britain had paid 29 per cent of agricultural levies and received 11 per cent of agricultural expenditure. The Government's demand that Britain should achieve a good balance in contribution to expenditure was too modest. 'It is not clear why a nation as poor as Britain should have as its highest ambition the wish to get back as much as we put in when much wealthier nations get more than they put in.' The Government could make a deduction from its contributions in order to obtain the required reforms.

The Liberal spokesman, Mr Russell Johnston, said that, while steps had to be taken to contain agricultural production, these would take some three or four years to implement. A budgetary settlement was required that would both correct injustices in revenue and provide for an increase in resources in order to tackle unemployment and develop a programme for economic expansion. Member states could only create more jobs and achieve industrial renewal by expanding their economies together. The survival of the Community was essential to Britain's own survival and industrial expansion.

Government Reply

Mr Malcolm Rifkind, Minister of State at the Foreign and Commonwealth Office, said that the Community had not been invented or developed on the basis of ignoring the vital interests of member states. 'Rather it has survived and prospered by being able to reconcile the conflicting interests of many member states. That feature has survived over the years and is the essential strength of the Community.'

Referring to the unresolved dispute between the British Government and the European Parliament concerning the net payment of £430 million

[1]The Community budget is submitted by the Council of Ministers to the European Parliament for approval. Most expenditure is classified as obligatory and the Council can override the Parliament's views. In the case of non-obligatory expenditure, however, the Parliament can insist upon the adoption of its original amendments if the Council rejects them. The main areas of obligatory expenditure are the Common Agricultural Policy and expenditure arising from International agreements. Non-obligatory expenditure covers such items as administration, research and the Regional and Social Funds.

arising out of Britain's 1983 refund, Mr Rifkind said that no one doubted Britain's entitlement to the sum. 'At this stage it is a disagreement with the European Parliament which is trying to insist that the payment of the sum should be linked to progress on the Stuttgart negotiations. The Government fundamentally disagree with that assertion, and I would go so far as to say that, in making that proposition, the European Parliament is acting improperly, unfairly, illogically, unwisely and dangerously.' There was no basis for establishing a link between progress on the Stuttgart negotiations and the payment of the refund. Britain would not acquiesce in the refusal to pay the refund and would take steps to defend its position.

Commenting on the suggestion that Britain should withhold sums due to the Community, Mr Rifkind said that the Community was not in default since the £430 million was due to be paid by 31 March and there was no procedural reason why the sums should not be paid by that date. 'The European Parliament has itself indicated that it is fully aware of the significance of that date, and until that date has lapsed, we are prepared to give the Parliament the benefit of the doubt.' This was the only reasonable, proper and responsible thing to do.

Mr Rifkind reiterated that Britain had been the first member state to put forward a proposal for a strict financial guideline to ensure, for the first time in the history of the Community, control over agricultural expenditure and Community expenditure as a whole. 'We are arguing that it is essential, if there is to be control of expenditure, for that control to be in the form of a change in the budgetary mechanisms.'

Chemical Weapons

British proposals to strengthen verification in a convention banning chemical weapons were put to the 40-nation Conference on Disarmament in Geneva by Mr Richard Luce, Minister of State at the Foreign and Commonwealth Office, on 14 February. They would allow a party to a chemical weapons convention to be challenged whenever doubts arose concerning its compliance and would permit, where necessary, subsequent on-site inspection.

Mr Luce's Speech

Introducing the paper to the Conference on Disarmament (formally the Committee on Disarmament) which is the main multilateral negotiating body on arms control and disarmament, Mr Luce reaffirmed Britain's commitment to the search for security through disarmament, progress towards which could only be achieved by patient, persistent negotiation between governments.

There was nothing more damaging to the mutual confidence necessary for arms control and disarmament, Mr Luce pointed out, than the existence of doubts about compliance with the letter and spirit of existing agreements. A serious effort had to be made now 'to negotiate new and better agreements which reduce the scope for ambiguity to the minimum, which provide the maximum incentive for strict compliance, and which therefore will create for all parties the confidence essential for their acceptance'. Failure to fulfil the need for adequate verification would only result in the erosion of confidence.

The completion of a convention banning all chemical weapons forever was a subject of overriding importance to the British Government which took seriously the growing danger posed by these weapons. Not only did some countries have large and increasing stocks of chemical weapons but there was also recent evidence which clearly pointed to their use in defiance of international condemnation. Britain wanted a total and fully verifiable ban on these abhorrent weapons, and welcomed the intention of the United States to submit to the Conference a draft comprehensive treaty with those aims in mind.

While noting the value of the 1925 Geneva Protocol which prohibits the use of chemical weapons, Mr Luce pointed out that it did not ban the manufacture or stockpiling of chemical weapons, nor provide for verification of compliance which was so vital to ensuring trust. The duty of the Conference, he believed, was to build upon the foundation provided by the Protocol and to ensure that a new convention banning chemical weapons from the face of the earth was established without delay. Other countries had not followed Britain when it relinquished its chemical weapons 25 years ago. In the case of the Soviet Union, its capacity to wage chemical warfare had been increasing steadily. While welcoming the Soviet Union's renewed interest in banning chemical weapons [it proposed the removal from Europe of weapons of mass annihilation such as chemical weapons at the Stockholm Conference on 18 January (see p 49)], Mr Luce questioned the use of a regional ban in Europe when these weapons were easily transported and when all the disturbing reports about their use had come from Asia.[1]

Mr Luce emphasised that verification was the key to an effective convention. In March 1983 Britain had tabled proposals on verification of non-production designed to ensure that chemical weapons were not being produced after the destruction of existing stockpiles (see pp 126-7, 1983). Britain was also prepared to play its part in trying to reach agreement on verification of destruction of stockpiles and production facilities and of permitted production of super-toxic substances for protective purposes.

If the convention was to convince international opinion that full compliance would be ensured,

[1]The most recent accusations concern the use of chemical weapons by Iraq in its war with Iran (see pp 290-2, 1980). Noting a statement by the United States which said that there was evidence to substantiate Iranian allegations, the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, stated on 6 March that he would fully support any international inquiry into the Iranian claims. He added that 'the use of chemical weapons anywhere in the world deserves the strongest condemnation'. Other allegations of the use of chemical weapons in Afghanistan, Cambodia and Laos were the subject of a United Nations investigation in 1982.

Britain believed that it had to contain a combination of routine on-site inspection and the possibility of fact-finding procedures to investigate any doubts. 'Without such procedures there would be no means of resolving doubt. And doubt breeds uncertainty, destroys confidence and provokes recrimination, which would in turn undermine the convention.' Noting that it was generally accepted that the convention ought to contain a provision for challenge by any party, Mr Luce said that the aim of the present British paper was to suggest how challenges could be handled effectively in order to maintain confidence in the convention. For this purpose, it would clearly be important that action, including if necessary on-site inspection, should follow a challenge without delay.

In conclusion Mr Luce noted that the paper was the latest in a series of initiatives taken by successive British governments, notably a 1976 draft treaty on the abolition of chemical weapons, a paper in 1982 detailing provisions on compliance, and the 1983 paper on verification of non-production of chemical weapons. He called on the Conference to present to the United Nations at the earliest possible moment an effective convention for signature and ratification. 'An achievement in this area would not only be valuable in itself but would also do much to enhance the confidence that is needed for agreement in other fields.'

British Proposals

The British paper, entitled 'Chemical Weapons Convention: Verification and Compliance – The Challenge Element', proposes that a convention, to be effective and to maintain international confidence, would have to include both mandatory routine international on-site inspection of declared chemical stocks and plant and of the destruction of prohibited stocks, and an additional essential element of challenge inspection, dealing with instances of suspected non-compliance which might not be revealed by routine inspection.

Routine inspection would involve regular verification of declared stocks and continuous on-site inspection of their destruction; verification of the destruction of chemical manufacturing and filling facilities through on-site inspection and monitoring means; verification of permitted facilities for production of super-toxic chemicals for protective purposes; and effective verification of non-production. Inspection would be done by regular teams, using the experience gained from the inspection procedures conducted by the International Atomic Energy Agency, supplemented by the use of continuous and comprehensive monitoring.

While routine inspection would provide a high degree of confidence, this category of inspection would be confined to sites and facilities declared by parties to the convention, and suspicions about possible or potential non-compliance could still arise. To remove the grounds for any such suspicions, a different challenge inspection regime, applying to all aspects of the convention and irrespective of whether or not a site was declared, would be necessary. This would be designed to deter evasion of obligations by providing a means of uncovering and drawing attention to breaches; to provide a means of clarifying ambiguous situations, settling disputes and, on the assumption that allegations of evasions proved unfounded, restoring confidence; and to provide advance notice of possible breaches, enabling parties to take necessary action to ascertain the facts.

Detailed arrangements for challenge inspection would involve machinery for carrying it out, including a consultative committee and an executive council responsible for factfinding. They would also cover the criteria for ensuring objective and impartial inspections; the basis for requesting challenge inspection; the rights and obligations of a challenged party; and the right action to be taken in case of refusal. The British paper emphasises the need for urgency in carrying out an inspection, with time limits being as short as possible in order to maintain international confidence in the convention. The scope for refusing an inspection should be as small as possible so as to ensure that any refusal would be a most unusual event. To deter parties from refusing a challenge inspection, follow-up action would automatically require a challenged state to propose alternative on-site inspection measures to establish its compliance. Should a state refuse to propose alternative and acceptable measures further action could be taken, namely a more detailed presentation of information by a country requesting a challenge inspection; the reference of a refusal to the consultative committee or, finally, to the United Nations Security Council; and, in the last resort, the withdrawal of the challenged party from the convention.

Britain and Africa

Britain's relations with African countries were the subject of a speech by the Minister of State at the Foreign and Commonwealth Office, Mr Malcolm Rifkind, at the Africa Centre in London on 16 February.

Mr Rifkind said that Africa was of considerable significance to Britain, for both were bound inextricably by history. 'Although there is no longer a political relationship of a kind that existed before independence of African states, nevertheless these historical factors do continue to play an important part in attitudes, in relationships, in ideas, and in the development of contacts.' Britain also shared a common tie with the 15 African countries who were members of the Commonwealth. Mr Rifkind continued: 'I believe it is one of the most extraordinary phenomena of the twentieth century that all the countries of what once constituted the British Empire, virtually without exception, have as independent states chosen to continue an association with each other, with the former metropolitan power, in an association of equal independent states, and have taken the view that whatever differences might have existed in the past . . . they have the sufficient degree of common interest, of common identity, to justify that continuing association.'

Africa was also important economically since some 6 per cent of British exports and 15 per

cent of all Britain's overseas investment went there. Moreover, Britain did three times as much trade with Africa as it did with either South America or South-East Asia, and this included imports of strategic minerals and metals, some of which could not be found in other parts of the world. Turning to Africa's geopolitical significance, Mr Rifkind noted that the Horn of Africa had a vital position at the southern mouth of the Red Sea and that the Cape route had been of importance for several hundred years. Africa's proximity to the sensitive Middle East region was also important.

Aid, Trade and Investment

Mr Rifkind said that Britain's aid programme to sub-Saharan Africa (£247 million in 1982) was larger than that for any part of the world with the exception of the South Asian subcontinent. It was right that this area should be given this degree of priority since 26 of the 35 least developed countries in the world were to be found in Africa, and Britain's aid programme was specifically designed to benefit not only the poorest countries but also the poorest sections of the community that lived within these countries. In addition Africa had experienced particular hardship and difficulties – and sometimes starvation – as a result of the world recession and very serious drought, and Britain and other developed countries had endeavoured to assist those countries so affected. Other difficulties had been caused by the level of debt experienced by many African countries. Although the debts were relatively small compared with those of Latin American countries, African economies were often modest, and the debts represented a serious problem to their economic development and economic stability. The British Government had sought to assist and had concluded a number of debt rescheduling agreements with individual African countries over the past few months.[1] Britain also played a major part in multilateral aid schemes to Africa either through United Nations agencies or the European Community's European Development Fund. In addition some 4,000 British expatriates were working in Africa on secondment to various African governments and were providing very rare and specialist technical expertise. 'This is one of the areas where there is the greatest need in Africa because of the historically weak infrastructure which exists in those countries and the means of development from that.'

Aid given by Western countries to Africa, Mr Rifkind added, was dramatically high compared with that given by the Soviet Union, the latter amounting only to some 2 per cent of the economic assistance provided by the West. Moreover, most Soviet aid was in the form not of grants but of loans which had to be repaid, and in 1984 more resources would be going back to the Soviet Union in the form of repayments of previous loans than would be going to Africa.

Although aid would assist Africa, Mr Rifkind continued, trade was much more important. There was a mutual interest in boosting trading opportunities for both humanitarian and social reasons and with a view to strengthening the economic links between various parts of the world. In addition, insufficient attention had been given to the opportunities that the encouragement of private enterprise in Africa could bring to economic growth. Anything that black African states could do to encourage the climate of investment and the confidence of investors could only be for their own economic benefit.

[1]Since November 1983 agreements have been concluded with Liberia, Senegal, Togo, Uganda and Zambia.

Namibia

Referring to Namibia, Mr Rifkind said that Britain and the world community as a whole wanted to see an early transition to proper independence. Progress needed to be based upon United Nations resolution 435 of the Security Council (see pp 350-2, 1978), a resolution which had been accepted in principle by all the relevant parties. The contact group of Western powers (Britain, Canada, the Federal Republic of Germany, France and the United States) had been instrumental in obtaining agreement from South Africa and the other parties to much of the resolution. The recent visit of the United Nations Secretary General, Mr Pérez de Cuéllar, to South Africa had concluded that process, since both he and the South African Government had indicated that all the ingredients that flowed from Security Council resolution 435 had become the material for agreement. Britain had indicated its view that this should lead to Namibian independence.

The main outstanding issue, Mr Rifkind continued, was the link proposed between Namibian independence and the presence of some 30,000 Cuban troops in Angola. 'We take the view that the independence of Namibia is something that the people of Namibia are entitled to and which cannot properly be said to be subject to any external conditions and to developments in other countries, including its neighbours.' Britain therefore did not believe that linkage was a legitimate consideration (see also pp 425-6, 1983).

It would be a difficult task to persuade South Africa to leave Namibia, Mr Rifkind noted, but, if it were possible to make progress in resolving any of the other problems in the region that had become associated with Namibia, then this would be highly beneficial. Britain hoped that in the near future there would be no non-African troops in any African state. 'We believe that the end of colonialism should not mean the presence of foreign troops from other parts of the world in Africa, and therefore anything that can be said to bring about such a transformation will not only be helpful in reducing tension in the region . . . but may assist in reaching a satisfactory outcome to the particular problem of Namibia.' Britain welcomed a recent South African offer to disengage itself from the southern part of Angola and hoped that such progress would ensure that there was no further delay to Namibian independence.[1]

[1]On 16 February South African and Angolan ministers meeting in Lusaka, Zambia, agreed to set up a joint commission to monitor a ceasefire on the border between Namibia and Angola. The talks followed an announcement by South Africa on 31 January that it would disengage its forces from southern Angola.

Southern Africa

Mr Rifkind observed that there were major political differences and causes of tension between South Africa and its neighbours. 'We believe that it is not helpful to the removal and reduction of tension in the region and the resolution of these problems to react to these political differences either by terrorism or by cross-frontier violations in either direction.' Britain welcomed recent talks between the governments of Mozambique and South Africa, for a more constructive relationship was in the interest of the peoples of both countries.[1]

On Zimbabwe, Mr Rifkind said that those people in Britain who had expressed concern about the trend of events there had sometimes failed to realise the enormity of the task faced by the Zimbabwe Government. The most crucial and most difficult period had been the transition to independence and the fact that this had been achieved with the minimum of difficulty was a tribute to all the communities in Zimbabwe, a fact that was insufficiently recognised.

Shorter Notes

AID TO KENYA

At a meeting of the World Bank's Consultative Group of aid donors in Paris on 1 February, Britain pledged £10 million of new capital aid for agricultural, transport and educational development in Kenya. The money, which will be disbursed between 1985 and 1987 to meet the foreign exchange costs of British goods and services, represents Britain's contribution to international efforts to help Kenya pursue sound economic policies aimed at promoting the country's long-term development. Kenya is pursuing a programme of economic reform with the support of the International Monetary Fund.

Kenya is one of the main recipients of British aid, some £300 million having been made available since Kenya's independence in 1963. About half of this, £152 million, has been provided in the last five years. All aid to Kenya is now on grant terms, and in 1978 Britain waived all outstanding interest and capital repayments on previous loans (worth an estimated £70 million). Britain also remains Kenya's largest foreign investor (recent estimates value British investments in Kenya at about £1,000 million) and largest trading partner.

A major project to have received assistance is the Upper Tana reservoir scheme, for which Britain provided £10·35 million towards the construction of the Masinga dam and which provides piped water to 1·3 million people, irrigates 100,000 hectares (248,000 acres), and generates hydro-electric power and thus reduces Kenya's dependence on imported oil. Other projects supported include the construction of 51 km (20 miles) of modern road between Embu and Meru (£13·6 million) which will facilitate easier access to hospitals, schools and markets serving this densely populated region; the extension of the Kenya Polytechnic (£2·2 million); the Bura irrigation settlement scheme (£5 million); and the construction of a new bridge over the Tana river at Garissa (£3·5 million). Between 1961 and 1979 some £33 million was provided to facilitate the gradual transfer of some 1·4 million hectares (3·5 million acres) of mixed farmland from European to African ownership in a manner conducive to Kenya's development.

An important contribution to Kenya's development is also being made by Britain's Commonwealth Development Corporation (see pp 190–1, 1983) which in 1983 had investment commitments worth £66 million in a wide variety of enterprises including smallholder and estate agriculture, industrial development, development banking, mortgage finance, housing and electricity. In these activities, the Corporation is associated with both the private and public sectors, including the Kenya Government.

Sources: Overseas Development Administration press release, 2.2.84; and *British Aid to Kenya 1963–1983*, Overseas Development Administration, 1983.

CROWN AGENTS

The Government's approval of plans to reorganise the Crown Agents for Oversea Governments and Administrations with a view to the Agents' privatisation were announced by the Minister for Overseas Development, Mr Timothy Raison, in the House of Commons on 23 February. The Government of Brunei's termination in 1983 of its contract with the Agents for the management of its investments, Mr Raison said, had resulted in loss of income amounting to £4 million in a full year. As a result action had become necessary to enable the Agents to meet their financial duties, and the board had submitted to the Government proposals for the reorganisation of the business and improvements in efficiency. These proposals included the reduction of staff from about 1,200 to under 900, changes in terms of service to enable them to provide services competitively, and the sale of the Agents' principal offices.

The Government had undertaken a thorough review of the future of the Crown Agents and the need for their continued existence in their present form, Mr Raison said. 'In undertaking this, we

[1]On 20 February the South African foreign minister, Mr Pik Botha, visited Mozambique for talks with President Samora Machel. A joint communiqué issued at the end of the talks stated that agreement had been reached on the central principles governing security arrangements between the two countries. A formal non-aggression pact was signed on 16 March.

have had regard to the Government's policy of reducing the size of the public sector, to the services which the Crown Agents provide for developing countries, and to their value to Britain's own interests . . . . After very careful consideration of this and other factors and of the representations made to me, the Government have decided broadly to endorse the proposals of the board of Crown Agents for their own reorganisation with a view to their privatisation in due course. The timing and method of privatisation will be settled later.'

Pending the necessary legislation, the board would take appropriate measures of internal reorganisation in order to facilitate privatisation and the Government would, under the Crown Agents Act 1979 (see pp 48-9, 1979), waive in full interest due on the commencing capital debt in 1984 and seek parliamentary approval for any waiver necessary in 1985 and 1986.

Source: *Hansard*, Vol 54, No 105, cols 991–7; and, for further information, see COI reference paper *The Crown Agents*, No 66/83.

Public Expenditure Plans

The Government's expenditure plans, contained in the White Paper on public expenditure published on 16 February,[1] show no increase over previous estimates. Spending in volume terms is expected to remain constant between 1983-84 and 1984-85. The proportion of gross domestic product taken up by public expenditure and the annual rate of increase in the sum spent are both expected to fall.

Introduction

The main points of the Government's plans for expenditure in 1984-85 were announced by the Chancellor of the Exchequer, Mr Nigel Lawson, in the autumn economic statement on 17 November 1983 (see pp 433-4, 1983). The White Paper gives a fuller account for the years 1984-85 to 1986-87, summarised in Table 1.

[1]*The Government's Expenditure Plans 1984-85 to 1986-87*. HM Treasury. Volume One. Cmnd 9143-I. HMSO, £5·65. ISBN 0 10 191430 X. Volume Two. Cmnd 9143-II. HMSO, £11·50. ISBN 0 10 191431 8.

Planned expenditure in 1984-85 of £126,400 million is virtually the same as the figure given in the 1983 White Paper (Cmnd 8789; see Table 2 and pp 59-63, 1983). It is some £6,000 million higher than the latest estimated outturn for 1983-84 (see Table 1), representing broad stability in volume terms. The planning totals for 1985-86 and 1986-87 of £132,100 million and £136,700 million respectively are provisional and will be reviewed in the 1984 expenditure survey this autumn. In the 1983 White Paper the figure for 1985-86 (the last year covered) was £132,300 million.

In accordance with the Government's objective of reducing public expenditure in relation to gross domestic product, the proportion is expected to be 42 per cent in 1984-85 compared with 43 per cent in 1983-84 and 43·5 per cent in 1982-83.

The annual rate of increase in public expenditure continues to fall – from 6·1 per cent in 1983-84 to 5 per cent in 1984-85, 4·5 per cent in 1985-86 and 3·5 per cent in 1986-87.

Table 1
Public Expenditure Plans

£ million

	Estimated outturn 1983-84	Plans 1984-85	1985-86	1986-87
Public expenditure programmes				
1 Central government	85,812	90,816	95,560	99,540
2 Local authorities	32,625	31,964	32,850	33,570
3 Capital expenditure of certain public corporations	405	458	390	340
4 External finance of nationalised industries	2,500	1,881	1,140	90
5 External finance of other public corporations	387	383	390	390
6 Planned expenditure on programmes	121,728	125,503	130,330	133,930
7 Special sales of assets (net)	–1,200	–1,900	–2,000	–2,000
8 Reserve	100*	2,750	3,750	4,750
9 Planned expenditure on programmes, sales of assets and the reserve	120,628	126,353	132,080	136,680
10 General allowance for shortfall	–300			
11 Planning total (or estimated outturn)	120,328	126,353	132,080	136,680
12 Percentage increase on previous year	6·1	5·0	4·5	3·5
Memorandum items				
Debt interest (not included above):				
Gross	15,500	15,500	15,500	15,500
Net	7,000	7,000	7,500	7,500

*Agreed debits on the reserve are allocated to programmes. £100 million is an estimate of the further debits likely to be agreed by the end of 1983-84.

Table 2
Changes in Public Expenditure since the 1983 White Paper (Cmnd 8789)

£ million

	1983-84	1984-85	1985-86
Defence	-271	-257	-276
Overseas aid and other overseas services:			
Overseas aid	-20	2	3
Contributions to European Community institutions	120	-75	20
Other overseas services	5	26	27
Agriculture, fisheries, food and forestry	332	396	195
Trade, industry, energy and employment	-49	-518	-896
Arts and libraries	61	14	18
Transport	137	-154	5
Housing	-32	-492	-503
Other environmental services	354	-78	-104
Law, order and protective services	98	79	89
Education and science	798	141	106
Health and personal social services	80	41	175
Social security	911	1,267	1,619
Other public services	-12	24	14
Common services	-46	21	-5
Scotland	90	-15	-57
Wales	72	-18	-28
Northern Ireland	-7	12	10
Local authority current expenditure not allocated to programmes (England)	-904	205	150
Adjustments:			
Special sales of assets	-450	-400	-1,500
Reserve	-1,400	-250	750
General allowance for shortfall	900	0	0
Planning total	767	-29	-187
Debt interest:			
Gross	750	750	750
Net	500	1,000	1,000

Changes since the 1983 White Paper

The differences in individual programmes since the publication of the 1983 White Paper are summarised below. Expenditure by programme for years up to 1986-87 is shown in Table 3.

Social Security

Social security is the largest single programme by far, accounting for over one-quarter of the total; nearly all is on benefits, about half being paid to the retired. The plans show an increase of nearly £1,300 million in 1984-85 and over £1,600 million in 1985-86.

Defence

The provision for defence expenditure meets the Government's commitment to implement the target set by the North Atlantic Treaty Organisation of an annual increase in real expenditure of 3 per cent up to 1985-86 (see p 195, 1981). Additional provision attributable to the Falkland Islands has been made in each year.

Housing

The fall of £492 million in planned expenditure on housing in 1984-85 is mainly due to a rise of £295 million in the forecast level of receipts and some reduction in the provision for capital expenditure. It is assumed that rents will increase in line with prices. The reduction of £503 million in 1985-86 is mainly in the allocation for capital expenditure – consistent with the Government's policy of shifting the balance towards private sector housing.

Agricultural Support

Increases in agricultural support of some £420 million in 1984-85 and £240 million in 1985-86 represent revised forecasts of the costs of implementation of the European Community's Common Agricultural Policy.

Health

Expenditure on the National Health Service (NHS) is maintained at the planned level in 1984-85 and raised by £148 million in 1985-86. The revised plans recognise, among other things, that demographic pressures will raise the demand for hospital and community health services.

Education and Science

The increased provision for spending on education and science of £141 million in 1984-85 and £106 million in 1985-86 is mainly in local authority expenditure.

Table 3
Public Expenditure by Programme

£ million

	Estimated outturn 1983-84	1984-85	1985-86	1986-87
Defence	15,716	17,031	18,060	18,660
Overseas aid and other overseas services:				
Overseas aid	1,063	1,125	1,160	1,200
Contributions to European Community institutions	500	375	550	600
Other overseas services	731	783	810	830
Agriculture, fisheries, food and forestry	2,087	2,048	1,920	1,930
Trade, industry, energy and employment	6,080	5,609	4,700	3,660
Arts and libraries	624	599	620	640
Transport	4,560	4,372	4,690	4,690
Housing	2,760	2,496	2,610	2,680
Other environmental services	3,787	3,451	3,540	3,600
Law, order and protective services	4,681	4,901	5,130	5,300
Education and science	13,356	13,052	13,450	13,750
Health and personal social services	14,688	15,421	16,250	17,060
Social security	35,324	37,207	39,520	41,630
Other public services	1,666	1,788	1,870	1,900
Common services	950	1,105	1,180	1,280
Scotland	6,767	6,863	6,980	7,160
Wales	2,587	2,585	2,680	2,780
Northern Ireland	3,799	4,032	4,220	4,380
Local authority current expenditure not allocated to programmes (England)		660	400	200
Adjustments:				
Special sales of assets	–1,200	–1,900	–2,000	–2,000
Reserve	100	2,750	3,750	4,750
General allowance for shortfall	–300			
Planning total	120,328	126,353	132,080	136,680

Table 4
Central Government Expenditure

£ million

	Estimated outturn 1983-84	1984-85
Defence	15,716	17,031
Overseas aid and other overseas services	2,289	2,268
Agriculture, fisheries, food and forestry	1,920	1,913
Trade, industry, energy and employment	6,136	6,054
Arts and libraries	235	253
Transport	1,902	2,067
Housing	1,191	1,162
Other environmental services	756	743
Law, order and protective services	1,219	1,371
Education and science	2,182	2,270
Health and personal social services	12,466	13,148
Social security	32,821	34,729
Other public services	1,654	1,775
Common services	950	1,105
Scotland	3,041	3,291
Wales	1,215	1,279
Northern Ireland	3,088	3,278
Total (excluding adjustments – see Table 3)	88,782	93,737

Table 5
Public Expenditure by Local Authorities in England, Scotland and Wales

£ million

	Outturn 1982-83	Budgeted 1983-84	Plans 1984-85	Plans 1985-86	Plans 1986-87
Current expenditure	25,178	28,410	27,903	28,573	29,135
Capital expenditure	3,551	3,829	3,662	3,870	4,022
Total	28,729*	32,239†	31,565‡	32,443	33,154

*National Insurance surcharge (NIS) at 3·5 per cent.
†NIS at 2·5 per cent.
‡NIS at 1 per cent.

Analysis by Spending Authority

Central Government

Nearly three-quarters of total programmes is made up of central government expenditure (see Table 4). Of this, slightly less than one-half is on goods and services, mainly for defence and the NHS. Just under 40 per cent is on social security benefits, the pay and related costs of the Civil Service amount to nearly one-tenth, and transfer payments (such as housing subsidies, industrial support and lending to the nationalised industries) account for the remainder.

Nationalised Industries

Compared with the figures in the 1983 White Paper, total net external finance for the nationalised industries and water authorities is £734 million lower in 1984-85 and £1,000 million lower in 1985-86. The Government has encouraged the industries to fulfil their investment plans and to make full and proper use of their investment allocations. After allowing for the effects of privatisation, investment in 1983-84 is expected to be 12 per cent higher than in 1982-83. The industries as a whole are planning to finance progressively more of their investment from internally generated funds. Tariffs in 1984-85 are expected to rise at or slightly below the rate of increase in retail prices. Aggregate needs for external finance are forecast to fall sharply between 1984-85 and 1986-87. British Rail and the National Coal Board continue to account for by far the largest amounts of external finance.

Local Authorities

Public expenditure by local authorities in England, Scotland and Wales is shown in Table 5. In 1983-84 they budgeted to exceed the provision set in the 1983 White Paper by £1,000 million. This has had an effect into the next year and so, for realism, the Government has been obliged to increase the provision for relevant current expenditure in 1984-85 by £600 million.

Special Sales of Assets

Net proceeds from special sales of assets in 1983-84 are expected to total around £1,200 million. Major items include the further sale of shares in Cable and Wireless (see pp 344-5, 1981) and BP (see p 339, 1983) and a second instalment from the sale of Britoil shares (see pp 364-5, 1982). Expected proceeds from special sales have been set at £1,900 million in 1984-85 (£400 million more than stated in the 1983 White Paper – see p 63, 1983) and £2,000 million in each of the years 1985-86 and 1986-87.

Reserves

The plans for 1984-85 provide a reserve of £2,750 million additional to programmes. Provisions for the following two years are £3,750 million and £4,750 million respectively. The reserve is now intended to cover all contingencies including revisions to the estimated size of demand-determined programmes, policy changes and new initiatives taken during the course of the year. This underlines the Government's intention to treat the planning total itself as a control total.

Cash Limits

Cash limits are the control figures for the coming year, during which they will not normally be changed. Any increases in cash limits will be charged to the reserve but new arrangements for end-year flexibility in capital programmes will allow some unspent resources to be carried over to the following year (see p 234, 1983). Forty per cent of public expenditure is directly subject to cash limits (including the external financing limits of the nationalised industries). Another 40 per cent consists of demand-determined services on which, once policy and rates of payment have been decided, expenditure in the short run depends largely on the number of applicants. The remaining 20 per cent is local authority current expenditure; while rate support grant, the Government's main contribution to the financing of this expenditure, is subject to cash limits, the expenditure itself is not.

Manpower

The Civil Service is now the smallest since 1945, having been reduced from 732,300 in April 1979 to 636,300 in October 1983. The planned size by the end of 1983-84 is 630,000, which would mean a total reduction of 14 per cent. A continued steady fall to about 593,000 is proposed by 1988, which would be a further cut of 6 per cent.

The size of the armed forces based in Britain is expected to rise from 320,600 to 332,400 in the two years ending April 1985.

The Government is concerned to ensure that manpower in the NHS is used to the best effect. Accordingly, targets have been agreed with regional health authorities in England to provide for a reduction of 4,800 (0·5 per cent) in the year ended March 1984. Comparable measures are in hand in Scotland and Wales.

Local authority manpower in Great Britain fell by 91,000 (4 per cent) in the four years ended June 1983. The sharpest fall was in the education service, which employs about half of local government workers: numbers fell by 6·75 per cent while school rolls fell by 10 per cent. Since mid-1983, however, total local authority manpower has risen, which is a development of considerable concern. If it does not resume its downward path, local authorities will be faced with difficult choices if they are to remain within the Government's expenditure plans for future years. Manpower in the law and order services rose by 7 per cent in the four years to June 1983, in line with the Government's priorities.

Pay

Pay accounts for some 30 per cent of total public expenditure. Labour costs are also an important component in the cost structure of the nationalised industries. For the Civil Service, the NHS, the armed forces and other central government groups, the present plans are based on the Government's decision to provide in 1984-85 average increases in pay and allowances of 3 per cent after taking account of planned manpower changes.

Trade Policy

In two recent speeches, the Secretary of State for Trade and Industry, Mr Norman Tebbit, has emphasised the Government's strong commitment to the philosophy of free trade and its opposition to protectionism. He argued that world-wide economic recovery would be attained only with the help of a freer international trading environment.

Open Trading System

Speaking to the Association of Economic Representatives in London on 20 February, Mr Tebbit expressed the Government's firm belief in the principle of free trade: 'The British Government is convinced that the open trading system has been one of the major political and economic gains of the post-war period. We remain totally committed to preserving it .... The liberal trading system has encouraged specialisation of production on a world scale, which has helped to increase efficiency, extend consumer choice, and to reduce costs.' He said that it was clearly in Britain's interest that overseas markets should continue to remain as open as possible, as Britain had one of the most export-orientated economies of all the major industrialised countries, with exports accounting for 30 per cent of total output. The Government wished to promote competition at the national level – through privatisation, deregulation and the breaking of monopolies (see pp 376–9, 1983) – and, just as importantly, at the international level – by reducing trade barriers. British industry had to become competitive with the best in the world, and in order to achieve that aim it had to go out and compete against the best in the world.

British-United States Trade

Mr Tebbit had also proclaimed the merits of free trade in an earlier speech, to the United States Chamber of Commerce and Washington Export Council in Washington DC on 8 February. The United States, as well as Britain, had an essential interest in fostering international trade, he said. The British Government had declared on at least three occasions in little more than a year (most recently at the Williamsburg economic summit (see pp 193–4, 1983)) its determination to preserve the liberal trading system and to halt and reverse protectionism. Measures to start reducing protectionism had already been announced by the European Community, and Mr Tebbit hoped that the United States, which was experiencing a far faster rate of recovery than the Community countries, would soon follow its example.

Pressures for Protection

Britain, being extremely sensitive to changes in the international trading environment, was greatly concerned about certain protectionist Bills which were before the United States Congress. It recognised, however, that the United States Government was unlikely to support protectionist legislation despite the existence of strong pressures. All the same, the United States Government had introduced measures against imports of special steels in mid-1983, which the European Community had found unjustifiable. (On 29 February the Community introduced retaliatory restrictions for one year, in accordance with the General Agreement on Tariffs and Trade, on certain imports from the United States. These take the form of increased tariffs and the introduction of quotas. It has been calculated that the combination will have the same impact on United States exports as the United States measures had on those of the Community.) Also, the United States had taken action on imports of textiles in December 1983. Such cases undermined confidence in the commitment of the United States to free trade and lent support and encouragement to those who favoured greater protection.

Mr Tebbit conceded that Britain and other European countries had themselves experienced strong protectionist pressures, especially when the recession had been at its worst. These pressures had not always been resisted with total success. However, the British Government was adamant that Britain should continue to be one of the world's most open markets – about 80 per cent of imports entered the country duty-free, which was more than twice the proportion in the United States, and only 6 per cent of industrial imports were subject to some form of non-tariff restraint. If Britain, 'a small off-shore island', was prepared to face competition, then so could the

United States. Explaining the British Government's position, he said: 'Our determination to maintain liberal trade is of course not philanthropy but self-interest; a recognition of our dependence on trade and a certainty that our industry becomes more efficient in the face of competition .... Protectionism generates significantly greater costs than benefits.'

It was accepted in Britain that the underlying causes of the country's economic difficulties needed to be tackled. Merely attacking the symptoms was not sufficient.

Cost Competitiveness

Between early 1979 and 1981, the cost competitiveness of British products had fallen by over 50 per cent (partly as a result of the appreciation of sterling by some 23 per cent and partly because of the rapid growth in wage costs), but Britain had kept its market open to imports. Since then, British goods had recovered about two-thirds of the cost competitiveness lost over that period. A good part of that improvement, in relation to the United States, had resulted from the appreciation of the dollar; another important factor had been the increase of 10 per cent in output per man-hour between 1980 and 1982, which was more than double that achieved in the United States and better than that in other industrialised nations. In addition, in most sectors of industry, quality, reliability and the capacity to deliver on time had all improved significantly, while inflation had been reduced from 18 per cent in 1980 to 4·5 per cent in early 1984. As in the United States, a price had been paid for improved competitiveness – in Britain the level of unemployment was still disturbingly high.

Exchange Rates

In the last few years, shifts in exchange rates had probably been one of the major influences on changes in patterns of trade. Exports from the United States had grown rapidly when the value of the dollar had been falling, in the periods 1971–74 and 1977–80; conversely, they had dropped when the dollar was appreciating in the intervening period. The rise in the value of the dollar since 1980 had again adversely affected United States exports, just as the massive appreciation of the pound sterling in the years 1979–81 had impaired Britain's trade performance. 'But the solution to the domestic problems which such trade fluctuations cause lies in general economic policies and adjustments and not in resort to trade protectionism, tempting though the immediate relief which it offers may seem.'

The Secretary of State countered charges made against European governments of adopting industrial practices which favoured their own industries by referring to the United States Government's use of such policies. Government policies and world events had caused the dollar to reach a high value which, rather than the protective attitudes of European governments towards their native industries, had been responsible for damaging United States trade.

Normality of Trade Relations

Mr Tebbit stressed that the existence of problems in trade relations between the European Community, including Britain, and the United States did not prevent the overwhelming bulk of trade between them taking place normally and without interruption. In 1983 the United States was once again Britain's main export market; in contrast with past years British visible exports to the United States exceeded imports from it, largely as a result of exports of North Sea oil. At the same time, Britain was the United States' most important trading partner in invisible transactions and the fourth largest purchaser of goods from the United States. Total trade flows between the Community and the United States were worth some $90,000 million a year; in nine out of the past ten years, the trade balance had been in favour of the United States. The high levels of investment by Britain in the United States and vice versa also illustrated the underlying health of the relationship. Investment by the United States in Britain of some £30,000 million represented one-third of all United States investment in the European Community; Britain was the largest foreign investor in the United States, with accumulated total investments in excess of $23,000 million.

Conclusion

The Secretary of State ended by saying that an outbreak of protectionism would jeopardise the world-wide economic recovery which was beginning to take place. More trade would bring about more employment; less trade would lead to more unemployment. Should the United States choose to restrict world trade by adopting more protectionist policies, this would not only threaten its own economy but also the economic and political interests of the Western world as a whole.

Service Industries: their Importance in the Economy

Service industries account for over half of total industrial output in Britain, nearly two-thirds of total employment, over two-fifths of investment and a fifth of the value of all exports. The growing importance of services in the economy indicates major social and economic changes. This article describes the long-term growth of the service sector in Britain, examines possible reasons for this growth and draws some comparisons with the experience of other industrialised countries.

The article is based on one published in the February issue of the Treasury's monthly publication, *Economic Progress Report*.

Table 1
Services and Manufacturing
% share of output, employment and investment in the whole economy

	1960	1982
Output		
Services	45	55
Manufacturing	37	24
Employment		
Services	48	63
Manufacturing	36	25
Investment		
Services	37	45*
Manufacturing	25	15*

*These figures include (for services) and exclude (for manufacturing) capital assets purchased by the service sector for subsequent leasing to manufacturing.

The Growth of Services

Growth has been faster in the service sector[1] in Britain than in the economy as a whole over the last 20 years. In manufacturing it has been slower. Table 1 compares the changes in the two sectors' share of output, employment and investment between 1960 and 1982. Employment in services has risen by 31 per cent in that period, while output and investment have both increased by 22 per cent.

These trends have been accentuated in the last decade. Whereas manufacturing output has suffered an absolute decline of about one-fifth since 1973, service output has continued to grow, although at a reduced rate.

The services sector accounted for over 40 per cent of total spending on fixed investment in the economy in 1982 (about £17,900 million out of £42,200 million). This excludes about £2,500 million of capital assets purchased by the service sector for subsequent leasing to other sectors, including over £1,000 million to manufacturing. Well over half of service sector investment is carried out by private services, predominantly by the banking, financial, insurance, business and leasing industries. Public sector service investment includes capital expenditure on public administration, the health and education services and road construction.

Over the last 20 years trade in services has contributed a consistent and growing surplus to the invisibles balance in the current account of the balance of payments. In particular there has been an increasingly large surplus on trade in financial services such as insurance, banking and telecommunications. Total service exports (credits) in 1982 amounted to over £17,500 million, around half the value of exports of manufactures.

[1]The main categories of service industries, as defined by the 1980 Standard Industrial Classification, are: distribution, hotels and catering; transport and communications; banking, finance, insurance, business services and leasing; and other services (including public administration, health, education, recreational and cultural services and personal services). Figures for employment in services given in this article are based on an older classification, the 1968 Standard Industrial Classification. This, however, will not have affected the general trends.

Growth of Employment in Services

Employment in services had already exceeded that in manufacturing by the 1920s in Britain. Since the mid-1950s the share of service employment out of total employment has been rising continuously while the share of manufacturing has been falling. Table 2 shows that in the decade to mid-1983 the number of employees in the service sector rose by over one million. If allowance is made for the increase in self-employment, the increase in total service employment was over one and a third million. This compares with substantial falls in other sectors.

However, much of the growth in service sector employment since 1973 has been accounted for by growth in part-time (principally female) employment; over four-fifths of the 4·5 million part-time workers in the economy work in services. If employment were expressed in 'full-time equivalents', then growth in service employment would appear to have been less rapid and the share of services in total employment would be somewhat reduced. Nevertheless, the underlying trends would still be the same.

A further qualifying point is that since employees are classified to industries on the basis of the main activity of their employer, there may have been a tendency for some jobs to be reclassified from manufacturing to services simply because firms have substituted 'outside' contract labour

Table 2
Changes in Employment in Great Britain

	'000 employees			*% annual change*
	June 1973	June 1979	June 1983	1973-83
All industries and services	22,180	22,590	20,460	-0·8
Agriculture, forestry and fisheries	420	360	340	-2·1
Mining and quarrying	360	350	310	-1·5
Manufacturing	7,660	7,050	5,370	-3·5
Construction	1,340	1,250	970	-3·2
Gas, electricity and water	340	340	320	-0·4
Services	12,060	13,240	13,150	+0·9

for 'in-house' work, without any change in the kind of work performed. Office cleaning would be an example of this.

Trends in Employment within Services

The fastest-growing service sectors in Great Britain between 1973 and 1979, measured by increase in employment, were financial and business services (2·9 per cent a year), professional and scientific services (2·5 per cent) and miscellaneous services (1·9 per cent). In contrast employment hardly changed in transport and communications and grew only marginally in the distributive trades and public administration. Between 1979 and 1983 it is thought that total employment in services (including self-employment) may have grown by about 245,000, with continued strong expansion in the financial service industries.

In the 1960s and early 1970s employment in public services increased much more rapidly than in private sector services, mainly owing to a doubling in size of the National Health Service and a two-thirds increase in local government employment. This pattern was reversed in the late 1970s with an acceleration in the growth of jobs in private services, and a levelling-off in public service employment against a background of increasing government concern over the growth of public expenditure. Since 1979 private sector service employment has continued to grow strongly despite difficult economic conditions. Employment in public sector services has been restricted in line with the Government's policy of streamlining the Civil Service (see pp 132 and 434, 1983) and encouraging greater efficiency on the part of public corporations and local government.

Reasons for the Growth in Services

The growing importance of services reflects fundamental economic and social changes. Real personal disposable income has more than doubled since 1945. In general, changes in income produce greater variation in demand for services than in demand for goods. In particular, as real incomes rise, people tend to spend a greater proportion of those incomes on personal, financial and leisure services. The rapid growth of recreational services such as leisure centres and clubs is an example of this. In addition, increasing real incomes in other countries have contributed to an increase in foreign demand for British air travel, hotel and restaurant services.

Changes in consumer attitudes include a greater readiness to use banking services, and the spread of home ownership, which has increased demand for solicitors' and estate agents' services. Demographic changes, such as the increase in the elderly as a component of the population, help to explain the growth of medical services. Shorter working hours tend to raise the demand for leisure industries.

On the supply side, changes in technology have played a large part in the growth of some services, the most obvious example being computer services.

Comparison with Other Countries

Britain's experience has been fairly typical of that of comparable countries belonging to the Organisation for Economic Co-operation and Development. The proportion of total output accounted for by services and the share of total employment taken by services have increased in the United States, Japan, the Federal Republic of Germany, France, Italy and Canada in the last 20 years. Since 1960 service sector employment in these countries and Britain has grown at a broadly consistent rate of 2·5 per cent a year, taking them all together.

Within the service sector there has been a relative shift away from distribution, transport and communications into financial, business and personal services.

The Scope for Industrial Expansion

The progress made by British industry in rebuilding its financial position and securing improved productivity was noted by the Deputy Governor of the Bank of England, Mr C. W. McMahon, in a recent lecture. He also indicated the causes and consequences of the long-term underlying decline in investment and the ways in which Britain should build on its strengthened corporate position so that an expansion in investment fundamental to sustained recovery could be achieved.

Industrial Recovery

Addressing the Birmingham and Midlands Institute of Bankers on 22 February, Mr McMahon said that manufacturing in Britain had been through a very difficult period, but that the evidence suggested that, for many companies, the period of acute financial pressure was ending. The profits of industrial and commercial companies (excluding North Sea operations) were 25 per cent higher than in 1982; the real rate of return had greatly improved to an average level of about 6 per cent, double that at the worst point of the profits squeeze in 1980 and 1981. Their financial position had also strengthened with the ending of the rise in interest payments (mainly due to the fall in interest rates over the last three years). In parallel with these developments, firms had cut back on fixed investment and reduced their stocks.

This strengthening of the finances of companies was largely a result of their own efforts. For manufacturers, in particular, the rise in profits (due primarily to a widening of margins rather than an increase in volume) had been achieved under especially adverse market conditions and had been the result of a prolonged and determined process

of rationalisation and cost-cutting. In the last year, however, more benign influences, leading to improved trading conditions, had also been at work: there had been a rise in domestic demand, most notably consumer demand, and evidence of recovery abroad, especially in the United States. So far the benefits to British industry from strengthening markets at home and overseas had been relatively modest. Manufacturing output had risen more slowly than domestic demand, and non-oil export volumes had remained broadly static for much of the last two years, though recent trends were encouraging.

Increased demand at home and abroad would only be met by British producers to the extent that they were competitive. Labour costs had been successfully contained – in the past three years, the annual growth of earnings in manufacturing industry had dropped from about 13 to 9·5 per cent. While this reduction had not quite matched that of Britain's major competitors, the improvements in productivity in British manufacturing had far surpassed those recorded abroad – in the last three years, the rate of increase in productivity had been more than 6 per cent a year.

These developments, combined with the lower exchange rate for sterling, had given rise to an improvement of about 25 per cent in the cost competitiveness of British industry since the beginning of 1981. Much of this had led to increased price competitiveness, but a significant proportion had been used to rebuild profit margins. However, current levels of competitiveness were still markedly worse than those which prevailed in the mid-1970s, because of the sharp loss of competitiveness prior to 1981 – due in some measure to increases in labour costs. Companies would have to be extremely vigilant to keep down labour costs.

The Deputy Governor felt that a key question for industry was whether the recent beneficial developments could be sustained, enabling the economy to 'enter a virtuous circle of higher profits, increased investment and sustained expansion'. Increased company liquidity could, alternatively, 'give rise to a vicious circle of unwarranted pay increases and other failures to control costs; higher inflation leading to tighter government policies; and a return to recession'. It was for company management, their workforces and trade unions to decide on the course to be taken.

Investment

Current levels of investment were probably insufficient to support a sustained expansion of output. Net annual investment by non-North Sea industrial and commercial firms as a proportion of their net capital stock was now less than one-fifth of what it had been in the mid-1960s. In manufacturing industry, the decline in gross investment had been such that it no longer covered depreciation; net investment had been negative for the past three years.

The reduced level of investment was one likely reason for the fall in the average rate of productivity growth in manufacturing from 3 per cent a year in the 1960s to 1·5 per cent in the 1970s. The recent improvements in productivity had in all probability been achieved largely by discarding high-cost plant, shedding labour and improving working practices. Such gains were important but represented once-and-for-all improvements. Sustained gains in productivity from the now smaller and more efficient industrial base were likely to require higher levels of investment. New investment – as well as replacement investment – would have to rise.

The long-term decline in the rate of investment might have reflected, in part, pessimism about prospective returns relative to the cost of finance. Unfortunately, developments in both the rate of return and the cost of capital appeared to have been adverse in recent decades. The pre-tax real rate of return on capital for non-North Sea industries had been dropping for two decades, from more than 10 per cent a year in the late 1960s to about 3 per cent in 1980-81. It seemed, also, that in the last few years the cost of capital had been significantly higher in relation to real profitability than in the 1960s and 1970s. Real rates of interest, a rough measure of the cost of capital, had risen sharply since the mid-1970s. This combination of a decline in real profitability and the higher cost of capital acted as an unmistakable disincentive to fixed investment. Other factors had included a low level of demand in some sectors associated with an under-utilised capital stock, obviating the need for new investment, and the prospect of cash flow problems. Business confidence had been severely shaken by the experience of the past decade.

Consolidating Recent Gains

Mr McMahon said that help to build on the recent improvement in firms' profit performance and to reverse the long-term decline in both profitability and investment of the past two decades should be expected from three sources: the Government, companies, and the banking system.

The Government

The main official contribution must be to provide 'a healthy and benign climate for business to flourish and expand'; the continued success of counter-inflationary policy was a prerequisite for sustained expansion. The reduced rate of inflation had played a large part in stimulating the recent growth of consumer spending, and greater price stability might help companies to secure long-term finance and reduce their dependence on bank borrowing.

The key benefit from lower inflation should be, however, the improved confidence with which firms could plan investments and related financing. Greater price stability should strengthen the quality of investments, as well as the quantity. It could also benefit industry and stimulate investment in more indirect ways. The exchange rate was more likely to be steady at a time of price stability, thus reducing uncertainty about the flow of profits. Stable prices were also likely to lead to steady and relatively predictable official policy. Companies could thus have more confidence that government counter-inflationary measures, with

their inevitable damaging effect on the level of demand, would in all probability be unnecessary.

At the heart of official fiscal and monetary strategy was the belief that policies should as far as possible be stable, predictable and well understood: companies could plan ahead more easily in such an environment. The Government's proposed discussion document on its long-term financing needs should initiate a much-needed debate on, and greater understanding of, trends in public expenditure and its financing. The Government could assist industry in yet other ways – by taking measures to encourage competition, labour mobility and risk-taking.

Companies

Companies ought not to be content with their present, albeit improved, profit levels; they should aim for a further rise in profits in order to increase investment and competitiveness. The survival and prosperity of firms depended upon this – it was an objective which shareholders, management and workforces had to recognise they had a basic identity of interest in attaining. Management, as the natural leaders, should be stressing this point.

Until the outlook at home and overseas was more assured, some companies with spare capacity might not wish substantially to add to it. However, many other forms of investment expenditure could prove to be cost-effective, particularly investments which improved design (the wider general market appeal as well as the aesthetic appeal), an area where British industry had been vulnerable to criticism in the past. Britain had often made less than full use of its native resources of invention, ingenuity and talent.

The Banking System

The banks had exercised much patience and care in helping many firms through the difficulties of the past few years. Despite the improved trading conditions which now existed, banks needed to develop further their ability to identify companies with problems at an early stage and influence them to take remedial action before it was too late. The banks had proved adept at meeting companies' financing needs, and had adapted quickly to the changing demands for foreign-currency borrowing.

There was a likelihood that there would be more demand for them to finance and appraise projects on the basis of projected cash flow rather than the balance-sheet position. In addition, they were increasingly going to have to assess the design – in the widest sense – of the projects being financed. There would be other challenges to bankers and it was essential that they continued to welcome innovations and improve their services, especially to business.

Agriculture

The *Annual Review of Agriculture 1984*,[1] published in February, gives details of agricultural production in 1983 and reviews the prospects of the industry.

[1]*Annual Review of Agriculture 1984*. Cmnd 9137. HMSO, £6. ISBN 0 10 191370 2.

The review says that growing conditions throughout 1983 were particularly variable, prolonged wet weather in the spring being succeeded by a very dry summer. The total area of cereals planted declined and the area used to cultivate oil seed rape increased by just over a quarter. Although potato plantings rose, yields were much reduced. The output of field vegetables was generally lower as was that of the 1983 sugar beet crop. The national cattle breeding herd and the number of sheep rose, although the number of breeding pigs declined. Farm income, which measures the return on capital invested, fell by 15 per cent. Farm business income fell by about 9 per cent. This reduction followed significant rises in real terms in 1981 and 1982.

Farms and Farming

In 1983, records the review, there were some 243,300 farm holdings in Britain, a reduction of 1 per cent on the 1978 figure. The decline was concentrated among the smaller full-time businesses. An estimated 91 per cent of output came from businesses capable of providing work for at least one full-time person; these represented half the total number of holdings. About 13 per cent of holdings accounted for half of total output.

The average area, including rough grazing, of full-time businesses of 250 standard man-days or more was 119 hectares.[1] In the period from 1978 to 1983, the number of dairy and pig breeding herds declined although their average size increased to 58 and 41 respectively, rises of 25 and 40 per cent. The number of sheep flocks increased by 6 per cent and their size by 8 per cent (to 191). The average beef cow herd remained stable at 18 cows.

In England, Scotland and Wales 69 per cent of the holdings were wholly or mainly owner occupied in 1983 compared with 54 per cent in 1960–61. The proportion of agricultural land farmed by its owner has increased over the same period from 52 per cent to 60 per cent. Virtually all farmers in Northern Ireland are owner occupiers.

Gross output is forecast to rise by 3 per cent (£365 million) to £11,595 million in 1983. The overall volume of output as measured by the index of gross output at constant 1980 prices is expected to fall marginally to 106 in 1983 compared with a level of 107 in 1982. The index of output per person (reflecting improvements in plant and animal breeding and in investment in the organisation of farming as well as the reduction in the number of persons engaged) is expected to decrease by 3 per cent. This reflects a decline of over 4 per cent in gross agricultural product at constant prices which more than offsets a reduction in the number of persons engaged of between 1 and 2 per cent. The number of regular full-time workers fell from 170,000 in 1982 to 167,000 in 1983, a fall of 2 per cent compared with an annual average reduction of about 4 per cent in the ten years to 1982.

[1]1 hectare = 2·47 acres.

The review estimates that the value of new investment in fixed assets will rise by 7 per cent in 1983 to £1,341 million. Expenditure on buildings and works is forecast to be £610 million, a fall of 1 per cent, while that on plant, machinery and vehicles is expected to increase by 15 per cent to £731 million. In volume terms new investment in buildings and works is forecast to decline by about 1 per cent and that in plant, machinery and vehicles to increase by about 11 per cent. The forecast increase in the volume of total gross fixed capital formation is some 5 per cent to £1,215 million. After allowing for depreciation, the net stock of these assets is forecast to remain broadly at the level of recent years.

Public expenditure in Britain on market regulation under the European Community's Common Agricultural Policy is estimated to be about £1,357 million in 1983-84, compared with some £1,099 million in 1982-83. Expenditure on price guarantees, capital grants and support for agriculture in special areas is estimated to be £332 million in 1983-84.

Commodities

In 1983 cereals were grown on 3·97 million hectares, a net reduction of 65,000 hectares over 1982. An increase of 28,000 hectares in the area sown to wheat was more than offset by a reduction of some 93,000 hectares in barley and oats. The wheat yield in the 1983 harvest was better than in 1982 and that of barley slightly worse. Average quality was, however, not quite so high. Production of all cereals reached about 21·2 million tonnes, second only to the record 1982 harvest of 21·9 million tonnes.

The area sown to oil seed rape in 1983 increased by 28 per cent to 222,000 hectares, although average yields – about 2·6 tonnes per hectare – were below those expected, mainly due to difficult weather conditions. The production forecast of 580,000 tonnes is close to the record level achieved in 1982.

Potato plantings in 1983 were some 3,700 hectares more than the target area of 191,300 hectares. The crop was, however, affected by the wet spring which delayed plantings and by the dry summer which hindered growth and, to some extent, quality. The forecast crop for 1983 is some 5,762,000 tonnes.

The review says that the harvested area devoted to sugar beet in 1983 fell from 201,000 hectares to about 196,000 hectares. White sugar production is expected to be 1·1 million tonnes compared with the 1982 record of 1·4 million tonnes.

Horticulture

The area devoted to horticulture in 1983 was about 220,000 hectares. Apple production was about average but pear production was substantially higher. Soft fruit production showed a slight increase.

Weather conditions caused reduced yields of field vegetables but glasshouse salad crops had a better year. Government aid to help growers of protected crops was extended to 31 March 1983 when the preferential gas tariff to Dutch growers was phased out. In order to encourage better use of energy in glasshouse heating, the Government is providing substantially increased grants for investment in energy saving facilities; this aid will be worth about £2 million a year to the heated glasshouse industry.

Livestock

The June 1983 census showed a fall of 2 per cent in the size of the beef breeding herd to 1,358,000, while the dairy herd, which accounts for 70 per cent of all breeding cows, increased by 2·5 per cent to 3,331,000. The average yield of milk per dairy cow in 1983 is expected to be only slightly higher than in 1982 but, because of the increase in the size of the dairy herd, total milk production – some 16·5 million litres (3·6 million gallons) – is expected to increase by 2·5 per cent. Provisional figures for 1983 show that there were 13,331,000 head of calves and cattle.

The sheep breeding flock increased by 2·5 per cent between June 1982 and June 1983, and wool production (52 million kg – 114·6 million lb) is forecast to be about 4 per cent above the 1982 level. Home-fed production of sheepmeat was 295,000 tonnes and is expected to be nearly 8 per cent higher. In 1983 there were just over 34 million head of sheep and lambs.

Pigmeat production in 1983 is expected to be just over a million tonnes, nearly 4·5 per cent above the 1982 level. A decline in production is expected in 1984 because of a fall in the breeding herd. There were nearly 8·2 million head of pigs in 1983.

The review anticipates that the output of poultrymeat is to be 787,000 tonnes in 1983, some 2·5 per cent below the previous year. A further slight fall is forecast for 1984.

Tackling Pollution

The tenth report of the Royal Commission on Environmental Pollution, published on 22 February, contains a wide-ranging review of priorities for future pollution control and of the action needed to combat new or growing forms of pollution. Among the topics covered are public access to information, coastal pollution, straw-burning, air pollution and the interrelation between energy and the environment.

The tenth report of the Royal Commission[1] originated as 'a broad review of current issues of environmental pollution'. In the light of initial consultations the Commission invited detailed evidence on the major topics of environmental lead pollution; pollution of estuaries, coastal waters and the North Sea; and atmospheric pollution. It was decided that it would be appropriate to report separately and as a matter of urgency on the topic of lead pollution (see pp 170-2, 1983). The Commission emphasises its status as an indepen-

[1] *Tackling Pollution – Experience and Prospects.* Cmnd 9149. HMSO, £10·75. ISBN 0 10 191490 3.

dent body not constrained by departmental boundaries; it has no specific or restricted task, but is authorised to enquire into any matters on which it thinks advice is needed as well as issues referred to it by the Government.

The Commission points out that the economic climate has changed considerably since its first report was published in 1971. Today, with energy consumption at the same level as ten years ago, the problem is not so much how to curb the effects of unbridled growth as to ensure a return to steady economic and technical development in parallel with continued protection of and improvements to the quality of the environment. Most major industrial countries have made substantial progress in tackling the more obvious forms of pollution. In Britain the most significant achievement has been the steady improvement in air quality since the Clean Air Act 1956, while there have also been notable improvements in the quality of rivers and estuaries. There has been a general growth in public awareness of environmental problems and pressure for action, but the report cautions against precipitate action: 'policy which is allowed to become too far ahead of evidence and action which is taken without due consideration of its possible consequences may be counter-productive to the cause of environmental protection'.

The supranational dimension of many of the more complex and long-term pollution problems means that international co-operation is essential. Significant progress has been made over the past decade, and Britain's international obligations, particularly towards the European Community, have had an increasing impact on domestic pollution control policy. The Royal Commission sees a need for more positive attitudes and a willingness to seize the initiative, not merely to ensure that national interests are best served but also to give a lead internationally on the best possible practice in tackling pollution. In the Royal Commission's view, 'it is not too harsh to say that some of the European Commission's initiatives have been flawed both scientifically and in their drafting, and some unsatisfactory features have become enshrined in Community legislation'.

Attitudes and Risks

Pollution problems, such as those associated with lead, asbestos, the handling and transport of radioactive materials and the use of certain agricultural chemicals, are increasingly being seen by the public to pose risks which are unacceptable, despite the fact that activities with risks which are mathematically at least as great, if not greater, are considered to be more acceptable. The activities of pressure groups and the amplifying effect of the media have, the report says, done much to bring about this growth of concern about pollution. The Commission notes a tendency in some areas for relatively small risks to become magnified and for the public to see major hazards where there is little evidence of potential damage. Industry and pollution control authorities share a responsibility for seeing that the public is provided with facts and expert opinions on which to base a balanced judgment.

Public Access to Information

The Royal Commission decided that an important element in its review of recent developments was the assessment of how far unnecessary secrecy was still practised. Only on exceptional occasions, it concludes, would otherwise inaccessible trade secrets be revealed from the information that regulatory authorities are entitled to receive by statute. In its view, to deny access to data on the grounds that the public is not competent to make correct use of them is 'neither a tenable nor an acceptable position'. If the requirement to allow public access is taken account of in designing the method by which records are compiled, and if best use is made of modern information technology, the Commission sees no cause 'why reasonable public access cannot be maintained without incurring burdensome administrative costs'. The public, in its view, 'must be considered to have a right, analogous to a beneficial interest, in the condition of the air and water and to be able to obtain information on how far they are being degraded . . . secrecy – particularly the half-kept secret – fuels fear'.

The Commission considers that the principles which are to apply to water discharges requiring disclosure of information under Part II of the Control of Pollution Act 1974 (see p 284, 1974) 'should apply equally to the introduction to the environment of all potentially polluting manufactured products or wastes, and that all information legitimately required by pollution control authorities should, in general, be available publicly except in the very few cases where commercial secrets are genuinely at stake'. Ministers and other pollution control authorities, in withholding information, should confine their interpretation of what is against the 'public interest' to considerations of national security and, in particular, should not withhold information merely because it might cause embarrassment. The Commission recommends that a guiding principle behind all legislative and administrative controls relating to environmental pollution should be a presumption in favour of unrestricted access for the public to information which the pollution control authorities obtain or receive by virtue of their statutory powers, with provision for secrecy only in those circumstances where a genuine case for it can be substantiated.

Domestic Traditions and International Influences

In Britain executive responsibility for pollution control rests in general with local and water authorities. Central government departments, with the Department of the Environment (DOE) in the co-ordinating role, are principally concerned with exercising overall budgetary control, promoting the necessary legislation and advising authorities on its implementation. Direct control is exercised by central government organisations and agencies in certain specific areas, including (in England – the arrangements in Scotland, Wales and Northern Ireland being different in a number of respects) the Industrial Air Pollution Inspectorate of the Health and Safety Executive, which deals with air pollution from certain industrial processes; the

Ministry of Agriculture, Fisheries and Food (pesticides, other agricultural chemicals and dumping at sea); the Department of Transport (vehicle standards, aircraft noise and marine pollution caused by shipping); the DOE (hazardous waste); the Health and Safety Executive and the DOE jointly (new chemicals); and the DOE jointly with several departments (radioactivity).

British legislation places a duty on a control authority to achieve certain objectives, for which it is provided with appropriate powers backed by legal sanctions. The authority is given considerable discretion as to how it achieves its objectives; 'there is also a tradition, both in legislation and in administrative practice, of pragmatism, gradual, negotiated (rather than mandated) raising of standards, and of caution in not going beyond what is seen by the parties concerned as reasonably practicable'. Membership of the European Community and ratification of various international conventions have reinforced a trend towards greater explicitness and have brought the British approach under increasingly critical scrutiny.

The principles laid down in the European Commission's proposals for a Third Action Programme, approved in 1983, have much in common with principles already advocated by the Royal Commission, and in the present report the Commission pays particular attention to the question how far British institutional arrangements and practices can contribute to the European Community objectives.

A basic principle of pollution control in Britain is that of 'best practicable means', implying 'means reasonably practicable having regard, amongst other things, to local conditions and circumstances, to the financial implications and to the current state of technical knowledge'. It is to be distinguished from 'best available technology', which implies the maximum abatement regardless of cost or whether it is necessary on environmental grounds. The Government's view is that it is not an aim of pollution control policy in Britain to eliminate discharges to the environment which are not likely to cause damage, and that in some cases adverse environmental effects may need to be tolerated to a certain extent, for example where the cost of eliminating the damage is unacceptably high.

Straw-Burning

The burning of straw on stubble fields after the harvesting of cereal crops has become a matter of widespread concern. Increased arable acreage and declining numbers of mixed farms with livestock, together with changes in agronomic practices, have tended to favour burning on the field as the preferred method of disposing of surplus straw. The adverse effects of straw-burning are tangible and immediate; no estimation of risks from consequential effects is involved. In 1983 there were reports of damage to horticultural crops, losses to industry, damage to houses and possibly to health, road accidents as a result of reduced visibility, and damage to hedgerows and wildlife.

Straw-burning, the report says, is an example of a pollution problem which needs to be tackled with carefully planned measures, in accordance with a firm timetable announced well in advance. The Commission recommends that the Government should announce the introduction of a legislative ban on straw-burning on stubble fields to take effect in five years' time. Once there is this assurance that the practice will have to be discontinued, the industries concerned will be able to make the necessary investment to develop ways for the profitable use of surplus straw (an example of 'technology forcing'). The Commission also recommends that the Ministry of Agriculture, Fisheries and Food and the Agricultural and Food Research Council should give greater priority to research and development on alternative uses of straw.

Water Quality around the Coast

The report notes that the broad picture which emerges is one of general improvements to estuaries and to the rivers which feed them, but with some black spots remaining, notably the River Mersey, where discussions for a long-term programme of cleaning up are under way. The Commission records a programme for improvement of the Tees and notes the considerable improvement of the Tyne already achieved. Improvements to the Thames have continued; in 1972 over 80 per cent of the tidal Thames was classed as 'poor' and none as 'unpolluted', but by 1980, 16 per cent was 'unpolluted' and only 1 per cent 'poor'. The Commission supports the Thames Water Authority's claim that 'the condition of the tidal river has now been substantially restored and is stable'.

Over the last decade there have also been improvements in the water quality of the Clyde, Forth and Tay estuaries in Scotland, and the Tay is now used by research groups from several Western European countries as a benchmark for river cleanliness.

Pollution problems, the Commission says, are best tackled by carefully planned measures and with a firm timetable settled in advance, and it therefore recommends that the Government should reaffirm the commitment to complete the legal implementation of Part II of the Control of Pollution Act 1974 by July 1986.

Bathing Waters and Beaches

The Commission has encountered widespread concern about pollution of the coastline, particularly of beaches and bathing waters. There are issues not only of possible risks to health, mainly from micro-organisms in human sewage, but also of despoliation of the coastal landscape with possible loss of amenity. While the risk of contracting a serious disease from bathing in the sea off the coast of Britain appears to be extremely small, the Commission is less confident that the same can be said of milder diseases of the digestive system, such as those known as traveller's diarrhoea. The selection criteria used by the Government for bathing waters under the 1975 European Community directive were, in the Royal Commission's view, unrealistic. It recommends that the Government, in consultation with water authorities and district councils, should reconsider the selection criteria and investigate with the European

Commission the possibility of identifying additional bathing waters.

On the problem of marine litter washed up on beaches, the Commission recommends that the Government should ratify the International Convention for the Prevention of Pollution from Ships and, in association with the (voluntary) Keep Britain Tidy Group and the local authority organisations, should give high priority to improving public education on the problem of marine litter and to encouraging appropriate authorities to provide adequate means for the disposal of shipboard litter. It regards the state of the part of the Durham coastline affected by colliery spoil as unacceptable; and it recommends that an early date, at least within five years, should be set by which all tipping of colliery waste on the whole of Britain's foreshore must come to an end.

Shellfish Waters

Under a European Community directive, Britain has designated 29 shellfish waters, and all of these appear to be waters which already meet the water quality standards or will do so within six years of the designation date following improvements already planned. The Royal Commission recommends that the responsible authorities should make positive use of the enhanced powers in Part II of the Control of Pollution Act 1974 for the purposes of designating further waters under the shellfish water directive and to achieve a programme of continually expanding improvement, to the benefit of both the environment and human health, and in the interests of successful commercial shellfish farming.

The North Sea

The report says that the North Sea provides a good example of the international dimension of many of the current pollution issues. There has been a considerable amount of research on the inputs and effects of contaminants, and a comprehensive review of the data is needed. The Commission recommends that the Government should respond positively to the initiatives of the Federal German Government and the European Commission concerning the North Sea, and should promote international sponsorship of a review by an independent group of experts to consider whether current international controls are adequate to protect the environment of the North Sea. It is also recommended that further studies should be undertaken on the inputs and effects of contaminants on the Irish Sea.

Air Quality Monitoring

The Royal Commission welcomes the organisational changes which have been made to the National Air Pollution Survey since 1976. It supports the current philosophy of 'baseline' monitoring networks to provide a long-term data base for the most important pollutants comprising a representative selection of sites throughout the country, together with *ad hoc* networks in individual sites for particular purposes, often local and for shorter periods of time. It recommends that the Department of the Environment should give greater recognition to the importance of long-term monitoring as a basis for action to improve air quality. It is concerned that insufficient attention is being given to monitoring sulphur dioxide in remote and rural areas and recommends that further consideration should be given to the size of the baseline rural network. It recommends that the Warren Spring Laboratory of the Department of Trade and Industry, in liaison with the DOE and with research scientists who use the data, should continue to improve methodology for the measurement of sulphur dioxide, smoke and the wet and dry deposition of other substances. The number of sites in the baseline networks for the monitoring of nitrogen oxides and ozone should be increased substantially.

Indoor Air Quality

The Royal Commission has considered indoor air quality at some length because of recent public concern and because it is an area to which relatively little attention has been paid in the past. Members of the public are exposed to a very wide range of substances contaminating the air in their homes and in other buildings. From none of the substances usually encountered (with the notable exception of tobacco smoke) is there likelihood of damage to health in most circumstances.

It recommends that priority should be given to devising effective remedial measures for existing houses where concentrations of radon (a naturally occurring source of radiation which may become concentrated in the indoor environment) are such as to cause anxiety, and to devising preventive measures for new houses. When this has been achieved, remedial action on existing dwellings where there are lower concentrations should be undertaken.

Although the Government should monitor closely the results of research on the effects of formaldehyde (used in a wide range of building and furnishing materials) on health and should ensure that the highest standards of installation of cavity wall foam are maintained, the Commission sees no justification at present for further regulations on the use of formaldehyde or the ending of its use in cavity wall insulation.

The DOE should ensure, through suitable publicity, that advice on asbestos reaches the important target of small builders and do-it-yourself enthusiasts. However, the Royal Commission believes that there is no appreciable risk to the general public from exposure to asbestos in household articles or in other products containing white asbestos, provided that they are in good condition.

The Commission recommends that central and local government should actively promote greater public awareness of the importance of maintaining reasonable ventilation in the home, particularly where flueless heating appliances are in use.

Motor Vehicle Exhausts

The report welcomes the attention being paid to the environmental, technical and economic aspects of vehicle emissions by the European Community and others, and notes the relevance of the subject to issues such as acid deposition and the formation of photochemical oxidants. It

recommends that the route taken to implement the Government's stated intention to introduce unleaded petrol (see pp 170-2, 1983) should not involve an increase in the total amount of carcinogenic hydrocarbons emitted by vehicles. Smoke emissions from diesel vehicles are often at an unacceptable level and it is recommended that the Department of Transport should institute urgently a programme of research to make the quality of emissions from diesel-engined vehicles less dependent on standards of engine maintenance. Methods for measuring smoke from diesel engines should be improved and local authorities should be enabled to take legal proceedings directly against operators of vehicles emitting excessive smoke.

Photochemical Oxidants

Photochemical pollution is a particularly important form of atmospheric contamination. A complex mixture of primary and secondary pollutants is formed by the photochemical action of sunlight on contaminants, the main primary ingredients being nitrogen oxides and certain hydrocarbons from industrial sources and motor vehicles. The Royal Commission feels that it is not a straightforward task to devise control measures, as the physics and chemistry of secondary pollutant formation are complex and incompletely understood, and it recommends that the research councils should encourage continued research on secondary pollutants, particularly the photochemical oxidants.

Acid Deposition

The report notes that 'acid rain' is a rather misleading term because the phenomenon is much broader, including other forms of precipitation such as fog drip and snow; the same pollutants may also reach the ground by wet or dry deposition and have similar effects. Acid deposition, the Commission believes, is one of the most important pollution issues of the present time, and it welcomes the recent international research programme on the effects on Scandinavian fisheries (see p 313, 1983). High priority should be given to research on acid deposition, in particular on the causes and effects, on the interaction with other pollutants, and on remedial action, and the Central Electricity Generating Board should introduce on a pilot basis over the next five years certain of the sulphur dioxide abatement options that are already available.

Stratospheric Ozone Depletion

The layer of ozone in the stratosphere filters out most of the ultraviolet radiation from the sun which would otherwise reach the earth's surface, with possibly harmful effects on human health and the climate. There has been a growing realisation of the importance of considering the effects of chlorofluorocarbons and other gases which can influence stratospheric chemistry. There is a need for continuing research and reassessment of the data, and the Royal Commission recommends that industry should be encouraged to restrict the use of gases such as chlorofluorocarbons, which may deplete stratospheric ozone, to purposes for which no acceptable substitutes exist. Recognising the global dimensions of the problem, it recommends that the Government should take the initiative through the European Community, the Organisation for Economic Co-operation and Development, and other international agencies, to encourage a world-wide policy to restrict the use of such gases to essential purposes.

Carbon Dioxide and Climatic Change

The Royal Commission is certain that carbon dioxide concentrations in the atmosphere are increasing and is 'fairly confident' that this will result in a warming of the earth's atmosphere (the 'greenhouse effect'). There is less confidence about the magnitude and distribution of the warming and of other effects, but the social and economic consequences of substantial change in climatic (especially rainfall) patterns, if not recognised and planned for in time, could be very great indeed, as could the measures that would have to be taken internationally to reduce carbon dioxide emissions if the greenhouse effect proved to be significant. All necessary steps should be taken to ensure that there is the best chance of an early resolution of the uncertainties surrounding the effects of increasing concentrations of carbon dioxide in the atmosphere.

Atmosphere and Energy

Many of the issues considered in the report bring out the close relationship between atmospheric pollution and strategies for energy production and conservation. Most of the world's energy comes from the burning of fossil fuels, which is the largest single cause of atmospheric pollution. These considerations provide an impetus for seeking alternative energy sources. The Royal Commission recommends that an appraisal of alternative energy scenarios, in preparation for a possible progressive shift away from fossil fuels, should be given the highest priority and that the Government should regularly inform Parliament and the public of its current assessment of future energy requirements and their sources. Until Britain has a secure and environmentally attractive alternative, it would be wrong to discard the experience and expertise gained from several decades of nuclear power development, and the Royal Commission therefore supports a 'modest increase' in nuclear power capacity as part of a strategy for reducing dependence on fossil fuels as a primary energy source and for reducing the polluting effects of their combustion. However, before there were any rapid extension of nuclear capacity, there would have to be an unqualified commitment to the principles set out in the Royal Commission's sixth report (see p 405, 1976), in particular maintenance of the industry's safety record, development of satisfactory waste disposal policies and the availability of information to enable all relevant issues to be debated and resolved fully and publicly. The Royal Commission recommends that the Commission on Energy and the Environment, at present in abeyance, should be reconstituted, but with wider terms of reference in accordance with the original recommendations in the sixth report.

Future Policy

Research into the potentially polluting effects of electronics, bioengineering and other technologically advanced industries should be given high priority, and a degree of caution may be necessary in promoting new developments in enterprise zones, where planning controls have been relaxed. Although instances have been cited where environmental regulation has allegedly threatened the viability of particular firms, the Commission can find little empirical evidence of plant closures directly attributable to environmental controls. Recent studies under the auspices of the United Nations Environment Programme have demonstrated an increasing awareness of the potential economic benefits that can flow from pressures to reduce pollution.

Shorter Notes

THE STOCK EXCHANGE

Two recent announcements from the Stock Exchange concern minimum commissions on security dealings and the publication of another share index.

Following the agreement with the Government in 1983 to abolish minimum scales of commission on dealings in overseas securities by April and on all dealings by the end of 1986 (see p 435, 1983), the Council of the Stock Exchange has decided, as an interim measure, to reduce minimum scales on dealings in long- and medium-dated government securities, also from April.

Agreement between the *Financial Times* and the Stock Exchange has led to the publication of the *Financial Times*-Stock Exchange 100 Index from 27 February (it had been under trial since 3 January). The 100 companies represented are, generally speaking, the largest by market valuation, their shares accounting for nearly 70 per cent of the total market value of all British equities. There was felt to be a need for a new computerised index, which could be continuously updated, in order to enable investors in London to hedge against movements in the stock market as a whole by dealing in traded options and financial futures contracts (see below). Instead of the customary base of 100, the new index has a base of 1,000, which is thought to be more convenient for dealing in these instruments.

Sources: Stock Exchange press notices, 21.2.84, 13.2.84 and 24.2.84.

FINANCIAL FUTURES

The Stock Exchange is to introduce, in early May, a contract in traded options (entitlements to buy or sell a claim at a fixed price at any time within a specified period). Contracts will be based on the new *Financial Times*-Stock Exchange 100 Index (see above) and will be denominated in units of £5 multiplied by the level of the index (giving, for example, £5,000 when the index stands at 1,000). Settlement upon exercise of the option will be in the form of a cash payment representing the difference between the exercise price and the value of the index on the day of exercise. The Stock Exchange believes that the new contract will attract a considerable volume of business from a wide range of private and institutional investors.

The London International Financial Futures Exchange (LIFFE – see pp 327-8, 1982) is to introduce two more futures contracts (legally binding documents for the purchase or sale of a fixed amount of a financial commodity, at a price agreed in the present, on a specified future date), in the *Financial Times*—Stock Exchange 100 Index and in United States government bonds.

Sources: Stock Exchange press notice, 13.2.84; LIFFE press information.

BUILDING SOCIETIES

A report published by the Building Societies Association on 21 February proposes that new legislation should empower building societies to offer a wider range of services connected with their principal functions of providing a savings service and making loans for house purchase.

According to the Association, new legislation is needed because the existing legal framework is cumbersome and prevents building societies from fully responding to the demands of their customers and to the needs of the housing market. (Building societies are owned by their customers and derive their legal constitution and powers from legislation which is specific to them rather than from general legislation applying to commercial bodies; they are not, for example, subject to the Companies Acts. Their activities are governed primarily by the Building Societies Act 1962, together with statutory instruments made under that and other Acts of Parliament.)

The report notes that the market for financial services is changing radically. While the societies have been extending their range of financial services they are nevertheless constrained in law from going as far as their customers wish. The societies do not want to become full-scale banks; they would confine their services to retail banking, an area where they already have considerable expertise. At present, the societies can offer a savings service but they are inhibited from providing other services, such as cheque accounts, foreign currency services and credit cards.

The report stresses that the building societies are not seeking to depart from their present functions of being housing finance and savings institutions. Any additional services supplied would only complement and enhance these main objectives.

The Association makes three major proposals on housing and house purchase. Societies should be permitted to offer services related to house-buying including estate agency, structural surveys,

conveyancing and insurance broking; to own the freehold or leasehold reversion of homes being purchased under share ownership schemes (which allow families on low incomes to buy a share in a dwelling while paying rent on the remainder); and to hold land for the purpose of housing development.

The report looks closely at the constitution of building societies and concludes that the present legal nature of a society with investing and borrowing members should be retained.

Other proposals are for societies to be allowed to provide modest second mortgages; to make limited trade investments in banks, in the same way as other organisations; to offer insurance directly to customers; and to operate in the other member countries of the European Community.

Source: *New Legislation for Building Societies.* Available from the Building Societies Association, Information Department, 3 Savile Row, London W1X 1AF. £1·25. ISBN 0 903277 49 2.

INSOLVENCY LAW

A major reform of the insolvency laws, designed to protect creditors and help to save businesses, is proposed in a White Paper published on 28 February. The proposals have been formulated in the light of recommendations made by the Review Committee on Insolvency Law and Practice, chaired by Sir Kenneth Cork. The Committee had been asked to look at the law and practice relating to insolvency, bankruptcy, liquidation and receiverships[1] in England and Wales, and to consider what reforms were necessary; to examine the possibility of formulating a comprehensive insolvency system and the extent to which existing procedures might be harmonised and integrated; and to suggest possible less formal procedures as alternatives to bankruptcy and company winding-up proceedings in appropriate circumstances. Its final report was presented in April 1982 and was followed by extensive consultations between the Government and interested organisations.

At a press conference to launch the White Paper, the Under-Secretary of State for Corporate and Consumer Affairs, Mr Alexander Fletcher, said that the main purpose of the proposals was to simplify procedures and to maximise the use of voluntary arrangements for the collective settlement of debts. This should reduce involvement by the Official Receiver and enable the office to fulfil its proper investigatory role. The second purpose was to provide the means for dealing with any irresponsible activities and malpractices of liquidators and company directors.

The White Paper proposes the establishment of professionally qualified or licensed insolvency practitioners, who would be required to take out insurance cover against negligence and malpractice. Abuse of limited liability by directors and others would be curbed through the adoption of stricter legal sanctions – directors of companies which are compulsorily wound up would be disqualified from company management for three years; in a compulsory or voluntary liquidation the court would be allowed to ban a director for up to 15 years after just one liquidation (instead of, as previously, two); and courts would be able to attach personal liability to directors who have engaged in wrongful trading.

Corporate and personal insolvency procedures would be simplified and updated through, for example, the revival of public examinations for use in compulsory liquidations where they would assist the Official Receiver's investigation. The minimum debt capable of supporting a creditor's petition for both compulsory winding-up and bankruptcy would be increased from £200 to £750. Debtors would be automatically discharged from a first bankruptcy (after three years).

The White Paper also encourages the use of voluntary corporate and personal insolvency procedures, thereby reducing non-essential demands on public resources and relieving companies and individuals of unnecessary involvement with the courts and the Insolvency Service.

The law relating to company receivership would be clarified and improved, and a new insolvency mechanism, known as the administrator procedure, would be introduced to facilitate the rehabilitation and reorganisation of companies faced by insolvency but with reasonable prospects for a return to profitability.

The personal bankruptcy proposals outlined in the White Paper apply only to England and Wales; Scots bankruptcy law will be dealt with separately. The legislative proposals on corporate insolvency are written in terms applicable to England and Wales, but the Government intends that their substance should apply to Scotland, subject to appropriate modifications to take account of the principles of Scots law.

The Government plans to introduce an Insolvency Bill at the earliest practicable opportunity. Comments and observations are invited and should be received by 19 April 1984.

Source: *A Revised Framework for Insolvency Law.* Cmnd 9175. Department of Trade and Industry. HMSO, £4·65. ISBN 0 10 191750 3.

[1]Meaning, broadly, in England: insolvency – the inability to pay debts in full; bankruptcy – the compulsory administration by a court of the estate of an insolvent person for the benefit of creditors; liquidation – the winding-up of a company; receivership – the protection or preservation of property for the benefit of those who have had an interest in it.

CITIZENS ADVICE BUREAUX

A report on the National Association of Citizens Advice Bureaux, published on 8 February, reviews, among other things, their impartiality, their management and their funding. The report is the work of an independent body which was asked to examine the functioning of the Association and to make recommendations with a view to ensuring that it gave the best possible service and support to citizens advice bureaux, and spent available funds in the most effective way.

The bureaux have two main aims: to make sure that individuals do not suffer through ignorance of their rights and responsibilities or of the services available, or through an inability to express their needs effectively; and to exercise locally and nationally a responsible influence on the development of social policies and services. All bureaux in England and Wales are members of the National Association (Scotland and Northern Ireland have their own national bodies), which ensures that they meet high standards. It is responsible for the policy of the movement as a whole and for guidance and help to bureaux in their day-to-day work.

The review body regards the network as 'an invaluable national asset'. The provision of a service of information, advice and guidance meets a real and growing need, and has earned widespread respect. Because standards are high and because it relies predominantly on a volunteer workforce, the service represents extraordinarily good value for money. The Association is found to have provided bureaux with the services that they require.

There were only a few instances where the rule of strict impartiality in the provision of advice and information was not observed; to prevent their recurrence, the report recommends that the Association should issue guidance on the observance of the impartiality principle. It also suggests improvements in the Association's management structure in order to increase its effectiveness in support of more clearly defined priorities and objectives, and that the real value of its funding by central government, reduced in 1983-84, should be restored (at an approximate cost of £300,000). Sponsorship of the National Association by the Department of Trade and Industry should also continue. Local bureaux were found to be under-funded; the review body recommends an increase in funding through the National Association and also expresses the hope that local government will increase its financial support.

Speaking in the House of Commons on the day of publication, the Under-Secretary of State for Corporate and Consumer Affairs, Mr Alexander Fletcher, welcomed the report. He pointed out the need for all parties concerned to study the findings and to engage in full consultations with the National Association.

Sources: *Review of the National Association of Citizens Advice Bureaux*. Chairman: Sir Douglas Lovelock, KCB. Cmnd 9139. Department of Trade and Industry. HMSO, £6. ISBN 0 10 191390 7.

Hansard, Vol 53, No 94, col 597.

For further information about citizens advice bureaux, see COI reference paper *Citizens Advice Bureaux*, No 89/FSB/81.

OFFSHORE OIL AND GAS LICENSING

The Government's proposals for the ninth round of offshore oil and gas licensing, in which up to 80 blocks are expected to be licensed, were announced by the Secretary of State for Energy, Mr Peter Walker, in the House of Commons on 15 February. Mr Walker said that the ninth round would offer 'a mix of frontier and mature area territory similar to that included in the eighth round' (see p 212, 1982). A primary objective would be to open up those frontier areas in which little or no exploration drilling had taken place, including some territory in water depths of over 200 m (660 ft), with the aim of discovering more about potential oil and gas reserves on the United Kingdom Continental Shelf.

Up to 80 blocks in various areas were to be licensed: deep-water frontier areas (the Rockall and Faroes Troughs), other frontier areas (the central North Sea, the southernmost part of the North Sea, and the Celtic Sea), areas with mature oilfields (the northern North Sea), areas with mature gasfields (the southern North Sea and Morecambe Bay) and intermediate areas (the English Channel and the West Shetlands Basin). Cash bids by tender would be invited for a small number of blocks in the northern North Sea, but otherwise licences would be awarded on the basis of assessment of applications against published criteria. The criteria would be broadly similar to those in the eighth round, but with one significant difference, which would be that, in considering applications for discretionary blocks in areas with mature oilfields or gasfields, he would take account of the extent to which companies also showed willingness to explore in the frontier areas. Other ways in which the arrangements would be similar to those of the previous round would be that successful licensees would be required to allow the British National Oil Corporation an option to acquire up to 51 per cent of any petroleum produced and that the British Gas Corporation would be expected to limit its applications to areas where gas might be discovered. The formal invitation for applications would follow within a few months and the Secretary of State expected the closing date for the ninth round to be in early 1985.

Offshore production licences give the licensee the exclusive right to search for and extract oil and gas in a specified area. The area of the United Kingdom Continental Shelf so far designated totals some 651,650 sq km (251,600 sq miles), of which about 94,295 sq km (36,407 sq miles) are covered by production licences (held by some 294 licensees): 40,758 sq km (15,737 sq miles – 43 per cent) held by British companies and 53,537 sq km (20,671 sq miles – 57 per cent) by overseas-based companies. By the end of 1983, 2,226 wells had been drilled (1,032 production wells and 1,194 exploration or appraisal wells) and 168 significant discoveries had been made; 24 offshore oilfields are in production and gas production comes from six major gasfields, together with a growing amount of gas produced in association with oil in oilfields.

Sources: *Hansard*, Vol 54, No 99, written answers, cols 215-16; Department of Energy press notice, 15.2.84.

UNITED STATES ORDER FOR SHERPA AIRCRAFT

Short Brothers of Belfast has been awarded a contract of about $660 million from the United States Government to provide the United States Air Force with Sherpa aircraft for its distribution and supply system in Europe. Covering aircraft orders and options (including support services), it is the largest single contract that the company has ever won. The order calls for the manufacture and supply of 18 aircraft, spread over the next two years (with a logistics support programme), which is valued at $165 million. Options have been taken on a further 48 aircraft which, together with supporting services, could provide the remaining $495 million of the contract. The options are available over the next two to four years.

Short Brothers is the largest industrial employer in Northern Ireland, with 6,000 people employed directly. The company also provides work for a substantial number of outside suppliers in Northern Ireland and operates the largest and most modern apprentice training schemes in the Province. The immediate result of the new order (which brings the total of firm orders and options for the company's 330 version and its direct derivatives to 180 aircraft) is likely to be the creation of up to 600 jobs.

Source: *SBAC* [Society of British Aerospace Companies] *News*, 9.2.84.

OPTICAL TELESCOPES

Britain's leading role in optical astronomy is expected to be restored as a result of three optical telescopes being installed on the island of La Palma in the Canary Islands (one of the world's best observing sites), the first of which began its commissioning observations in February. They will complement Britain's leading position in most of the major branches of astronomy, especially radio astronomy, infra-red astronomy, X-ray astronomy and theoretical research. The three telescopes form the core of a new international observatory, el Observatorio del Roque de los Muchachos, developed as a result of an agreement in 1979 between Spain, Britain, Denmark and Sweden (see p 205, 1979). Britain also has two other countries as scientific partners: the Netherlands and the Irish Republic. A joint British-Dutch team will operate the telescopes and observing time will be shared with Dutch astronomers, while there will also be participation by observers from the Irish Republic. The telescopes are designed for remote control, and it is planned that astronomers will be able to operate them from Britain.

The main British telescope at present on La Palma is the Isaac Newton telescope, of 2·5 m (8 ft) diameter, originally erected in the grounds of the Royal Greenwich Observatory at Herstmonceux (East Sussex) where it operated for a number of years. Improvements made to the telescope include a new, higher-quality mirror whose shape remains almost constant during the temperature changes from day to night. A new 1-m (3-ft) telescope is specially designed for astrometry (the accurate measurement of star positions) and it can photograph a wide field of view without introducing distortions. It will also be used for photometry (the measurement of star brightness). The 4·2-m (14-ft) William Herschel telescope has recently been completed by NEI Grubb Parsons at Newcastle upon Tyne (which built the other two reflectors) and will be operational on La Palma in 1986. It would then be the world's third largest optical telescope with a single main mirror, although the use of the most modern light detectors and the exceptional conditions of its site are expected to enable it to discern fainter objects and to see further into space than the larger telescopes of the United States and the Soviet Union.

Other telescopes at the observatory include a Swedish solar telescope and a 0·6-m (2-ft) reflector (both already in operation), and a joint British-Danish transit circle for the automatic precise measurement of star positions.

Source: Science and Engineering Research Council press notice, 14.2.84.

SOCIAL AND CULTURAL AFFAIRS

Changes in Divorce Legislation: Matrimonial and Family Proceedings Bill

The Matrimonial and Family Proceedings Bill was given a second reading in the House of Commons on 16 February. Its objectives are to implement recent recommendations by the Law Commission for the improvement of matrimonial law, and to rationalise the distribution and transfer of family cases in and between the High Court and county courts.

Main Provisions of the Bill

The main provisions of the Bill are contained in Parts I to V, each part arising from a separate report or consultative document: Parts I, II and III derive from reports of the English Law Commission, Part IV from a report of the Scottish Law Commission, and Part V from a consultative document published by the Lord Chancellor's Department in January 1983.

Part I consists of reforms relating to the presentation of petitions of divorce and nullity. The main recommendation is to end the rule that a divorce petition may not be presented within three years of marriage unless the court is satisfied that there is either exceptional hardship on the part of the petitioner or exceptional depravity on the part of the respondent. In its place there is to be an absolute bar on the presentation of divorce proceedings within one year of marriage.

Part II, which covers the same ground as the Matrimonial Proceedings Bill introduced in the last parliamentary session by a private member, alters the law regarding financial relief after a divorce. In particular, it requires first consideration to be given to financial support for the children; it removes the objective (in the present law) of putting the parties in the same financial position after divorce as if the marriage had not broken down; it facilitates a 'clean break' by enabling a claim for periodical payments to be dismissed without the claimant's consent; it requires the court to take into consideration, in appropriate cases, the desirability of enabling each of the divorcing parties to become financially self-sufficient; and it confines the cases in which conduct is taken into account to those in which it would be inequitable not to do so.

Part III relates to overseas divorce, namely that a wife living in England or Wales whose marriage is ended by divorce proceedings abroad shall be enabled to claim financial relief from her former husband for herself and any children of the family by proceedings in this country.

Whereas most of the Bill applies to England and Wales alone, Part IV, whose broad objective is the same as that of Part III, applies only to Scotland and seeks to remedy the plight of women in Scotland whose marriages are ended by divorce proceedings abroad. Because of differences between the legal systems in the two countries, its provisions are not quite the same as those for England and Wales but should in most cases produce substantially the same results.

Part V makes improvements in the administration of family law. In particular, it re-enacts, with amendments, the provisions in the Matrimonial Causes Act 1967 and abolishes the rule that a divorce or other matrimonial cause automatically transfers to the High Court on becoming defended; it provides for the criteria according to which family business is distributed and transferred between the High Court and county courts to be set out in directions given by the President of the Family Divisions with the Lord Chancellor's concurrence; and it facilitates the transfer of family business between the High Court and county courts.

House of Commons Debate

The Bill, which has already completed its passage through the Lords, was given a second reading by 186 votes to 68, a government majority of 118 (*Hansard*, Vol 54, No 100, cols 392-467).

Government View

The Bill's second reading was introduced by the Attorney General, Sir Michael Havers, who said that the changes to be brought about were, on the whole, changes of emphasis, not changes of major principles. The Bill made important changes to the Matrimonial Causes Act 1973, which was a consolidation of two Acts – the Divorce Reform Act 1969 and the Matrimonial Proceedings and Property Act 1970. The 1969 Act had introduced a fundamental change in the law of divorce by repealing the fault-based grounds for divorce with the concept of divorce upon the proof of irretrievable breakdown of marriage. The 1970 Act complemented it by conferring on the court a wide

discretion to deal with financial and property matters on divorce. There had been one or two changes to the 1973 Act since then, but there had been no substantial review of that legislation since 1970. The purpose of the present Bill was to make those adjustments that had been found necessary in the light of the careful work which had been done by the Law Commissions.

The Attorney General said that the first two parts of the Bill were those on which views were likely to differ. Part I was intended to put an end to the exercise of a discretion based on the notions of exceptional depravity and hardship, which the courts had found unworkable, and to replace it with an absolute bar on the presentation of petitions within one year from the date of marriage. Outlining the main objections to the present law, Sir Michael said that allegations of exceptional depravity caused bitterness, distress and humiliation and so affected the amicable resolution of later disputes about financial provision or the custody of children; second, many petitioners were driven to duplicate proceedings by seeking judicial separation before, followed by divorce after, the three-year time bar. The effect, therefore, of the present rule was to defer rather than to deter divorce and to duplicate the cost of legal aid. It was an illusion, or perhaps a delusion, to believe it possible to make a marriage endure when it had broken down irretrievably by imposing a temporary bar on the commencement of proceedings.

Turning to Part II of the Bill, which implemented the Law Commission's recommendations on the financial consequences of divorce, Sir Michael said that the Lord Chancellor had received a steady stream of complaints about the way in which the courts dealt with financial arrangements on divorce; both from former husbands and second wives who thought the system had moved too far in favour of former wives, and from former wives who complained that, having given the best years of their lives to their former husbands, they felt they had been cast off without adequate support. Sir Michael said that first priority must be given to financial support for the children, a factor which was likely to encourage men to keep up their maintenance payments. However, it was also important that the wife should have adequate means to provide the right accommodation and surroundings for the children. In appropriate cases, the Bill would encourage the severance of financial ties between parties.

On the question of conciliation, the Attorney General said that issues over methods and funding remained to be resolved, and that the changes in procedure and practice which might be required were being examined. Since conciliation was a procedural and administrative matter, primary legislation would not be required, and the present Bill, therefore, would not be the appropriate vehicle to deal with the subject.

Opposition Views

Mr John Morris, the official Opposition spokesman on legal affairs, criticised the Bill for being premature. He said that over the years body after body had recommended the establishment of family courts. A change in the institutions would allow a different approach, and the activities of the Supplementary Benefits Commission and the courts would not continue as though there were no connection between their respective roles. There was also an absence of any provision for proper conciliation machinery, and the Bill lacked any proper provision for children, in particular for the children of one-parent families. All the Bill did in practice was to make it impossible to have a divorce in less than one year, whereas now a court could, where cause was shown, grant it during that period.

Referring to the fear of divorced wives that they would inevitably be a lot worse off as a result of changes proposed in the Bill, Mr Morris hoped that the Government would consider amendments to allay some of those fears and to give clear guidelines to the courts.

Mr Alex Carlile, spokesman on home affairs and the law for the Liberal Party, raised a general objection to the narrowness of the Bill's scope. He criticised Part V of the Bill as being no more than a tenuous and small step in an area which needed close attention and wholesale review. His objection to the Bill was that it was far too early. The far wider problems of family law should be examined; it was not helpful to deal piecemeal with important issues such as were now being considered, which should form part of an overall view. A legislative opportunity to come to grips with family law was being wasted.

Mr Robert Maclennan, spokesman on home affairs and the law for the Social Democratic Party, spoke of the lack of research, accurate figures and up-to-date information about the level and frequency of maintenance payments and about the different problems faced by people in different parts of the country and within different income levels. He said that a fundamental objective and requirement of the Bill was the provision of more information. Research should be carried out on a proper basis to provide information for the courts and to ascertain the effects of making various orders on the various parties to matrimonial proceedings and their children. As regards Part I of the Bill, he failed to see any logic in any particular time bar on divorce proceedings, and as regards Part II, he considered that the Bill must be amended to lay down some clear criteria for assessing maintenance.

For further information see COI reference paper *Britain's Divorce Laws*, No 169/82.

Shorter Notes

PROGRESS BY METROPOLITAN POLICE

Progress made by the Metropolitan Police in 1983 was referred to in the House of Commons by the Home Secretary, Mr Leon Brittan, on 8 February in replying to a question on the plans and priorities of the Commissioner of Police of the Metropolis for the coming year.

The Commissioner and his officers were to be congratulated on the progress made by the Metropolitan Police last year, said Mr Brittan. An intensive programme of planning, involving officers at all levels, had resulted in a more purposeful use of manpower and other resources (see pp 344-5, 1983). Over 750 uniformed constables had been added to divisional strengths and almost 200 sergeants redeployed through the reduction of central departments, the rationalisation of crime squads, the greater use of civilians and by other means. There had been a reduction of 27 per cent in demands for manpower from other districts for events in central London. At the same time, the introduction of area intelligence and surveillance units had sharpened and focused efforts to improve performance against street robbery and burglary. There had been a reduction of 4 per cent in 1983 in the number of notifiable offences recorded by the force; and an increase in clear-up rates for several groups of offences, including burglary, from 8 per cent to 9 per cent; robbery and other violent theft, from 10 per cent to 13 per cent; and sexual offences, from 44 per cent to 51 per cent. Arrests for offences of robbery and other violent theft were up by 14 per cent and for sexual offences by 21 per cent. Progress had also been made in establishing a secure framework for public co-operation: consultative groups, crime prevention panels, and victim support schemes had been formed and neighbourhood watch and property marking introduced on a large scale.

In the coming year the Commissioner intended to maximise performance through the most effective use of manpower; to minimise criminal opportunity through crime prevention, public contact, involvement and co-operation; to enhance the detection of specified criminal offences – robbery, burglary and crimes connected with vehicles – through analytical techniques, co-ordination and integration of effort, and improvements in criminal intelligence, targeting and surveillance; and to improve management and organisation to support his strategy and to enhance the quality of service to the public. The Home Secretary had emphasised to the Commissioner his concern to see improvements in firearms training in the force, greater efforts to combat offences involving hard drugs and better relations at all levels with the ethnic minority communities. He had also told the Commissioner that the Metropolitan Police would be allowed an additional 200 police officers in 1984-85, bringing the force's establishment to 27,115. The Commissioner had accepted that there was still scope for the greater use of civilians to release police officers from administrative work, and the civilian staff ceiling was therefore being raised from 13,456 to 13,750.

Source: *Hansard*, Vol 53, No 94, written answers, cols 594-5.

TREATMENT FOR DRUG MISUSERS

Details of improvements in services for drug misusers were given by the Secretary of State for Social Services, Mr Norman Fowler, in the House of Commons on 9 February. Considerable progress had been made, he said, since the publication in December 1982 of the report *Treatment and Rehabilitation* by the Advisory Council on the Misuse of Drugs (see pp 43-4, 1983). The Government recognised that help of the kind highlighted by the Council's report was essential to bring about an enduring change in the behaviour of drug misusers. In April 1983 applications had been invited for grants from a fund of £6 million – to be spread over three years – for initiatives by statutory and voluntary bodies in England to assist drug misusers. Grants totalling £3·7 million had so far been allocated to over 50 projects. These included local surveys of needs, training schemes for nurses and volunteers, clinical detoxification and withdrawal services, new counselling and education services, toxicological screening equipment and other new facilities. These projects would be a valuable reinforcement of local services, and reports on them would add to knowledge of the most effective ways of tackling these problems.

The report, said Mr Fowler, pointed to a way forward that did not depend upon the creation of costly new institutions. It stressed the need for a steady development of services, making the most effective use of existing resources. The Government had already announced its acceptance of the recommendation that prime responsibility for the provision and development of services for drug misusers should remain at local level. It was vital that all concerned should co-operate in both the planning and the delivery of services. The report had recommended the establishment of drug advisory committees and drug problem teams at regional level and, in the longer term, at district level. The next step would be for health authorities to report on their intentions in response to the report. Regional health authorities were being asked to review the incidence of drug misuse in their areas in consultation with district health authorities, local authorities and voluntary bodies and to report within six months on the scale of their problem and their plans for tackling it, including co-ordinated in-service training arrangements. The Government would help where possible, said Mr Fowler, to spread good practice on training. A new national facility would not in his view be more effective than the existing structures and arrangements, since it was at local level that training could be most responsive to service needs, drawing fully on local resources and skills. The professional bodies concerned would be asked about the action they were taking on those of the Council's recommendations on training which concerned them.

A working group of medical practitioners had been appointed to prepare guidelines on good clinical practice in the treatment of drug misuse, and to consider the report's recommendations for the extension of licensing restrictions to include all the opioid drugs.

Source: *Hansard*, Vol 53, No 96, written answers, cols 956-8.

EXPANSION OF THE ORGAN DONOR CARD SCHEME

The Government has launched a campaign to increase by 10 million the number of participants in the organ donor card scheme, under which volunteers carry a card indicating their willingness for their organs to be used in transplant operations after their death. Speaking at the launch of the campaign on 22 February, the Secretary of State for Social Services, Mr Norman Fowler, said that there had been a record number of 1,160 kidney transplant operations in 1983, and he wanted to double this number before the end of the decade. There were still 2,500 people waiting for a kidney transplant and many more waiting for corneas, hearts, livers and other organs. Transplantation was now acknowledged as the preferred form of treatment for many kidney patients; corneas played a valuable part in helping people to see better; while recent medical advances in the transplantation of livers, hearts and other organs were encouraging. The time was therefore right, said Mr Fowler, to persuade more people to carry an organ donor card. With more organs available the number of operations could be increased and a better match obtained, which would improve the chances of a successful graft.

Mr Fowler also announced that a further £1 million was to be spent on treatment for kidney patients.

A kidney donor card scheme was first launched in 1972 and the present scheme, covering all the organs needed for transplant operations, began in 1981. Some 5 million people are estimated to have signed cards but only about 20 per cent actually carry them. Under the new campaign 10 million donor cards, together with publicity material, will be distributed to institutions including hospitals and places of work.

Source: Department of Health and Social Security press release, 22.2.84.

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